FINANCIALTIMES

World News

# Premadasa wins secure majority in Sri Lanka

Sri Lankan voters who defied death threats and an election boycott called by the extremist Singalese JVP gave President Ranasinghe Premadasa a secure parliamentary majority with 125 seats out of 225. The main opposition party, Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party, won 67 seats. Page 3

Independence plan United Nations Security Council authorised an independence plan and peacekeeping force for Namibia, taking one more step to end 74 years of South African rule. Page 3

Boeynants suspect A Yugoslav suspected of kidnapping former Belgian Prime Minister Paul Vanden Boey-nants was charged with theft and possession of false docu-ments in Metz, France. Page

**UN block request** 

**UN Secretary General Javier** Perez de Cuellar said he was considering an Afghan govern-ment request to establish official ontposts to block rebel arms routes from Pakistan.

Founding congress Political group which claims to be post-war Yugoslavia's first non-Communist political party, the Social Democratic Union of Slovenia, was due to start its founding congress.

Manila aid plan

in Ljubljana. Page 2

The World Bank has accepted a co-ordinating role in a \$5bn-10bn multilateral aid plan for the Philippines. Page 4

Belfast gun raid

Gunmen lined up customers in Belfast's Orange Cross ... Social Club, a Protestant ber, and wounded five of them by opening fire at point-blank Three men received ous head wounds. Page 8

Peru miners strike Over 80,000 Peruvian miners staged a 24-hour strike in mourning and protest at the essassination of Saul Cantoral, secretary general of Peru's powerful Miners Federation, and Consuelo Garcia, a social worker to mining communities. Page 5

Beirut truce ends Rival Christians shelled each other in east Beirut, shattering a church-mediated truce less

Hunger strike off Political detainees in Johansburg ended a mass hunger strike after the government indicated it would free most of the 1,000 prisoners held without trial. Page 3

New Arab bloc

than 24 hours old.

The leaders of Iraq, Egypt, Joran agreement joining their 80 million people in a new economic Arab Co-operation Council Page 6

Sikhs kill six

Sikh separatists killed six people including a policemen and two factory guards in India's northern Punjab state:

Solidarity hope Solidarity and Polish government negotiators agreed that the banned union could reemerge is a national move-ment if it agreed to back goverament economic and politi-

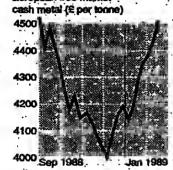
# European boom aids record Ford profits

**Business Summary** 

FORD, world's second largest automotive manufacturer, made record profits in 1988 for the third year running. But all of the earnings increase was due to Ford's performance was due to Ford's performance in the booming European car market, while US automotive profits fell almost 10 per cent. Earlier this week, General Motors reported record results which displayed a similar geo-graphical pattern. Page 19

TIN consumers have been caught off guard by the sharp rise in the metal's price in recent days. Tin for immediate delivery was traded at nearly

European free market



\$8,000 a torme on the European free market yesterday, \$75 a tonne above the price on Wednesday afternoon and the highest level since March 1986.

US TREASURY partially reversed a Customs Service ruling that would have raised tariffs on mini-vans and sports-utility vehicles from: 2.5 per cent to 25 per cent. The ruling had been at the centre. of intense lobbying by US vehicle makers.

BRITAIN'S official unemploy-ment count fell below the symbolic 2m mark for the first time in eight years, reaching the lowest figure since 1981, after a big fall in January. Meanwhile growth in UK average entitings was steady in Decem-ber in spite of rising inflation. Stories Page 6

**GENERALE** de Ba glum's largest bank, announced a three part capital increase which will boost its equity by BFr13bn (\$330m) and strengthen its already close links with Banque Genérale du Luxembourg. Page 19

HRITISH Aerospace is to shed about 2,500 jobs over the next two years at its guided weapons subsidiary, BAe (Dynamics), and to close two of that company's six main UK sites.

LUFTHANSA has ordered 15 of the new long-range Airbus A340 airliners with options on another 15. Airbus said the \$3bn contract followed a decision by the West German airline to buy the A340 early in its development. Page 4

GOTABANKEN and Nordbenken, Sweden's fourth and fifth largest commercial banks respectively, both reported dramatic surges in their operating profits for 1988. Page 20

BRITISH PETROLEUM announced an increased dividend of 13.5p per share for 1988, 1p higher than for 1987, with a 10 per cent increase in its after tax profits. Page 19

JAPANESE authorities are tightening rules covering the flotation of companies on the over-the-counter market in the wake of the Recruit scan-

NORTHROP, US military air-craft group, was hit in the fourth quarter by a \$150m loss provision for certain classified fixed price research and development contracts. Page 20

INDIA is expected to establish a mechanism that will help British companies sidestep some of the bureaucratic obstacles that can impede foreign investment in India. Page 4

# Gorbachev admits perestroika could run out of steam

PRESIDENT Mikhail Gorbachev of the Soviet Union has admitted that his economic programme of perestroika is in danger of running out of

in a highly publicised speech to industrial workers summoned to the Communist Party headquarters for a meeting with virtually all the leading members of the ruling Politburo, he rejected speculation about his own political survival, called on the industrial workers of the country to sack workers of the country to sack their bosses if they blocked reforms, and promised tougher sanctions against corruption and "rampant pilfering."

At the same time, he issued

his strongest condemnation yet of calls for a Soviet multi-party or caus for a soviet mini-party system, denouncing them as "groundless" and "rubbish." He rejected the growing sep-aratist calls in the Baltic republics and elsewhere as those of "careerists and extremists."

The Soviet leader stormed

hack into the political fray after a brief holiday.

His address, broadcast on television and published in yes, terday's Soviet press, repre-sents a critical attempt to galvanise support in the group which is both the traditional heartland of the Communist Party in the country, and the constituency showing the greatest scepticism about the current reform process.

In it he rejected as irrelevant

vatoliah Ruholiah Kho

meini's decree ordering the

death of Mr Salman Rushdie,

It was only three months ago

that Iran and Britain agreed to

resume normal diplomatic rela-tions, after years of hostility. The Iranian charge d'affaires

in London, Mr Mohammad Basti, was summoned to the

Foreign Office to hear the pro-

British counterpart in Tehran, had failed to receive a satisfac-

tory explanation from the Ira-

nian anthorities, the Foreign

Foreign Secretary, said the Ayatollah Khomeini's order

was "totally unacceptable".

Iranian leaders and many other Moslems are incensed by

what they regard as insults to

Islam in Mr Rushdie's latest novel, The Saturic Verses.
"Wa recognise that Moelems

and others may have strong views about the contents of Mr

Sir Geoffrey Howe, British

est after Mr Nick Browne, his

the British writer.

Office said

Western speculation that he might lose power: "This is not the issue. They are trying to pin everything on one person-

The thing is, the policy of perestroiks was adopted by the entire country. And the people will not let everything be thrown to the wind."

However, his comments on his own political survival, and his harshest words on multi-party democracy, were cut from the sanitised version published yesterday in Pravda and other leading Soviet news-

Political observers in Moscow do not believs the Soviet leader faces any serious immediate threat to his own position within the Polithuro, despite a backlog of economic problems facing the peres-troiks process. However ths very fact that nine of the full Polithuro members, including conservatives such as Mr Yegor Ligachev and Mr Viktor Chebrikov, were very publicly in attendance, suggests that they see a need to demonstrate their support.

Moreover the Soviet leader's speech made no bones about tha economic problems in store. And he warned: "The policy of perestroika will bog down if we fail to rally people to its cause." On the one hand he rejected

calls for legal sanctions against "londmonths and dema- our society."
gogues," saying: "We are Editorial comment, Page 16

**UK** freezes relations with

BRITAIN restanday announced Bushdie's book," Sir Geoffrey India. The Iranian consulate in suspension of its plans to said. "However, nobody has Pombay said the threat was upgrade relations with Iran, the right to incite people to should mischief-mongering.

In Tehran, Mr Browne also

sought an explanation for an

Iranian statement this week

that Mr Roger Cooper, a Briton

held without trial in Iran for

more than three years, had

received a heavy sentence. The Iranian Foreign Ministry said it would investigate and that Mr Cooper had been granted a

consular visit on March 7. Tehran Radio said people in the home town of Mr Ali Akbar

Hashemi Rafsanjani, the pow-erful speaker of the Iranian parliament, had promised the

equivalent of \$3m to increase

the reward aheady offered hy the authorities to anyone who

killed Mr Rushdie. Iranian cler-

ics and students were prepared to launch suicide attacks to

called the Iranian Guards tele-

phoned a Bombay news agency and threatened to bomb British

Airways aircraft flying to

kill him, the radio added. In India, a caller claiming to represent an unknown group

upgrade relations with Iran, the right to incite people to about mischief-mongaring, after strongly condemning violence on British soil or Mr Michel Rocard, the

Iran after death threat

By Victor Maliet, Middle East Correspondent, in London

strong enough to tolerate them, though many of you said here it is high time to apply the force of the law."

He yet again used strong words to condemn the growing tide of nationalism and separatism in the Baltic republics ratism in the Battic republics and elsewhere. "We have laws which envisage punishment for fanning the flames of ethnic discord and for instigating dis-turbances," be said, citing just those laws currently being used against members of the Armenian Karabakh commit-

tee who are held in detention.
Commenting on separatists in the Baltic republic of Lithuania, he said they were "obsessed with personal ambition, or just extremists... We will deal with them calmly, but we have to rebuff this."

Hs challenged the workers to take more power into their own hands: "Where is peres-troika getting bogged down?" he asked. "Where is it running out of steam? Some people are just marking time. They do not

want to change.
"We see that your patience is running thin, and sometimes we are overly tolerant."

It was up to work collectives to make their own personnel decisions, and to reject "reshuffling for the sake of He also called for "more

harshness...to repel those who steal, swindle and sponge off

Mr Michel Rocard, the

on Western leaders jointly to

condemn Ayatollah Khomeini's

threat. The US State Depart-

ment said it was appalled hy

the decree which it felt could

impede prospects for better US-Iranian relations.

writes: The widest expression so far of European revulsion at

the threats came from the

European Parliament, which passed a resolution demanding

sanctions and threatening

force against Tehran if any

attempt is made on the lives of

the author and his publishers.

expression of sentiment with-out binding effect, was passed in spite of the opposition or

abstention of most British Con-servative and Labour Members

of the European Parliament (MEPs), who said talk of sanc-

tions and retaliatory force was

unrealistic and possibly count-

er-productive in view of British hostages in Lebanon.

Tha resolution, a powerful

David Buchan in Brussels

French Prin

# Blacks turn their backs on Winnie Mandela

By Anthony Robinson in Johannesburg

SOUTH Africa's hlack community yesterday turned its back on Mrs Winnie Mandela, wife of jailed African National Congress (ANC) leader Mr Nelson Mandela and once adored as "mother of the

Mrs Mandela, who met her hushand in Paarl prison on Wednesday to discuss her wednesday to discuss her future, was "excommunicated" in absentia hy a statement read out hy Mr Murphy Morobe, former publicity secretary of the United Democratic Front (UDF), at a press conference in Johannesburg.

conference in Johanneshurg.

It stated that the "mass democratic movement" of South Africa "hereby distances itself from Mrs Mandela and her actions". It called on the black community "to exercise this distancing in a dignified manner". This is seen as a veiled plea to shun Mrs Mandela, but to avoid possible clashes between factions in the townships and in the ANC. clashes between factions in the townships and in the ANC. Flanking Mr Morobe were

two heavyweights of the hlack opposition, Mr Elijah Bartya, president of the Congress of South African Trade Unions (Cosatu), and Mr Archie Gumede, president of the UDF. The statement is the culmination of years of growing hlack distillusionment and

anger at the wilful actions of the 54-year-old former social worker who married Nelson Mandela 31 years ago hut was forced to spend most of them apart from her hushand, in iail, under restriction orders or in internal exile.

Continued on Page 18

# Five charged in French share scandal By lan Davidson in Paris FRANCE'S long-running Pechiney stock-market scandal escalated sharply yesterday, with incalculable political con-sequences, when five people

were charged with insider trad-ing, including Mr Roger-Patrice Pelat, a close personal friend of President François Mitterrand. Although no-one dreams that President Mitterrand has had any personal contact either any personal contact either with the Pechiney insider-trading scandal, or with the parallel controversy over last year's stock-market raid on the Société Générale privatised hank, it is almost inevitable that the charging of Mr Palet that the charging of Mr Pelat will provide new fuel for the innuendoes of the right-wing

opposition.

Moreover, it is a major embarrassment for the governing Socialist Party which fears contamination by the atmo-sphere of scandal, and the opposition's smears of corrup-

The Government's most immediate anxiety is that the scandals will seriously drag down its performance in next month's municipal elections.

Last Sunday on television, President Mitterrand firmly defended his friendship with Mr Pelat, with whom he has been on close terms ever since they met in a German prisoner-of-war camp in 1940. At the same time, however,

he demanded that justice should be "severe," regardless of the identity of the guilty. "When the state and the reputation of France are at stake, there are no private relation-ships and no privileged connec-

tions,"he said. In a spectacular outhurst, President Mitterrand also attacked the evils of financial speculation, which he characterised as "gangsterism and the law of the strongest," and he promised that the Govern-ment would install a system which would "prevent the ruin and the pillage of the French economy" by takeover specula-

The immediate purpose of this outburst was no doubt to impress the French electorate with Mr Mitterrand's long-standing and well-known distaste for the world of finance. But some commentators have advanced a more fundamental interpretation: that President Mitterrand feels compelled hy the stock market candals to abandon last summer's attempt to huild an open-ing from the Socialist Party to the political centre, because of the risk of contamination with

conservative interests.
This interpretation may well be premature. But if not, it implies the beginning of the parting of the ways between the President and Mr Michel Rocard, whose role and whose strength as Prime Minister depend essentially on his credentials as a Social Democrat. with the ahility to build bridges to the centre.

The charges handed down yesterday by the investigating magistrate follow hard on the heels of the publication by the French stock market supervisory authority, the Commission des Operations de Bourse (COB), of the results of its investigations into dealings in the shares of the American company Triangle Industries last autumn, shortly before it was hought by the French alu-minium company Pechiney.

Mr Pelat had heen identified in the COB report as one of six French huyers of Triangle shares during the period of Pechiney's negotiations. The COB report did not single out Mr Pelat for particular atten-tion, however, although it said that he and members of his family had bought 10,000 Triangle shares, on which they made a profit of FFr2.24m (\$352,000). In general, however, the

report said that the COB had found "serious, precise and concordant presumptions of the existence of insider trad-ing," in its investigations into the dealings in Triangle

Moreover, over a quarter of the COB report, and its most explicit accusations, were directed to the Triangle share purchases made hy Compagnie Parisienne de Placements, a holding company controlled by Mr Max Theret.
"Definitely, CPP's orders are

eminently suspect," it said, and asserted that the documentation presented by CPP to lustify its purchases had been created after the eveot.
On television, President Mit-

terrand emphasised that Mr Theret was not one of his friends, and that he scarcely

knew him. Apart from Mr Pelat, those charged yesterday were: Mr Robert Reiplinger, an associate of Mr Max Theret, Mr Pierre Alain Marsan, and Mr Ricaldo Zavala, both stockhrokers, and Miss Isabelle Pierco, a friend of Mr Pelat. Mr Pelat and Miss

Pierco were charged with profiting from insider trading,

while the three others were

charged with insider trading.

# Storehouse faces lower profits

By Maggie Urry in London STOREHOUSE, the British retail group headed by Sir Ter-ence Conran, yesterday warned of "significantly lower group profits" in its financial year ending next month and unveiled plans for a £48m (\$84m) exceptional provision covering stock write-offs, reorganisation costs and several hundred joh cuts among its non-sales staff. Mr Michael Julien, Store-

house chief executive, said the

planned strategic changes

- which follow a review of the husiness since he joined the

group in June last year - were

business as a whole." They reflect in part the diffi-cult trading conditions facing UK retailers generally as con-sumer spending has been squeezed by high interest

Storehouse, formed hy a merger three years ago, includes Habitat, the home furnishings business; BhS, the for-mer British Home Stores; Mothercare, which caters for mothers and children; Richards, the women's fashion chain; and several other retail Mr Julien said the new strat-egy - which will also involve

extensive reorganisation of the group's shops — would aim to develop Storehouse into "a coherent, integrated husiness of identifiable retail hrands

a collection of antonomous retail entitles without firm central direction or support services, except for design."

He expressed confidence that

supported by common systems and shared services." He said that after the merger the company had been "run as

there would be no further write-offs after the £48m provi-Lex, Page 18; Troubles in store, Page 19 Continued on Page 18

necessary "to get a grip on the CONTENTS

Recruit Cosmos: Stink of scandal taints future Moscow angles for influence in prospects for the publishing group .. Middle East peace efforts ment: Corporate alliances: beware the in the most concerted iron fist in the velvet glova ... effort in the Middle Editorial comments UK public pay dilemmas; East in recent years. Hungary's feep in the dark \_

by Mr Eduard Shevardnadze, Soviet Foraign Minister. undarlines Moscow's desire for acceptance as an intermediary in peace efforts Page 3

US Defence Departments Pentagon's hrass hats wait for Tower .... Survey: Cuba .. Section III Financial Futures \_\_\_\_\_ 40 Gold 32 International Bonds 30 Intl. Capital Markets 25,26 -London 33.38.39 Technology Unit Trusts

UK political Labour opposition rolls with the

Lex Storehouse; BP; Australian dollar, British

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NTEREST RATES 3-min Treasury Bills: yield: 9.058% (9.073)

Close 1233% (13)

MARKETS

traits Times Index

Singapore

Federal Funds 92% Bond: 981

DM3.2825 (3.27). FFr11.097 (11.13) Y223,75 (224,25) DOLLAR New York closing DM1.8385 (1.841) FFr6.2600 (6.269) Jan 1989 Feb Y126,0725 (126,25) DM1.8425 (1.844)

STERLING

New York closing

\$1.7710 (1.77425)

\$1.771 (1.7735)

1,663.5 (+1.0) SFr1.565 (1.564) Y126.3 (126.4) Brent 15-day (Argus) GOLD: \$16.55 (+0.25) (Mar) New York latest West Tex Crude \$18.325 (+0.38) (Mar) \$386.2 (+0.1)

SEP Comp 294.85 (+0.61) FT-SE 100 2,033.8 (-13.7) 146.07 (Wede) Nikkel Ave 332,347.26 (+197.78)

STOCK INDICES

Dow Jones Ind. Av.

New York closing

2,811.43 (+7.50)

# Export credit policy high on Delors agenda for year

EUROPEAN Commission's "priority, even obsession" remained the completion of Europe's single mar-ket. Mr Jacques Delors, Its president said vesterday. But he also promised early initiatives hy Brussels this year in such diverse areas as workers rights, environment and export

credit policy.
In a speech presenting the Commission's 1989 work programme to the European Parliament, Mr Delors admitted that by pressing into "such delicate" areas as tax harmonisa-tion, the Commission "is stirring up doctrinal debates" in

But he hoped that memher states would not believe that Brussels was "malignly" gun ning for any of their national laws and that they would

New party

formed in

Yugoslavia

By Aleksandar Lebi in

remember the effort the Commission was putting into oringing the positions of the Twelve together

In the external policy aspects of his Strasbourg speech, Mr Delors singled out for special mention EC policy towards the Third World, just as this week Commission negotistors are holding another round of talks in Brazzaville with representa-tives of the 66 African, Carib-bean and Pacific (ACP) countries on renewing the Lome aid and trade convention.
But the Commission's latest

annual work programme, which tells EC governments what proposals to expect from Brussels and when, contains far more on relations with its main industrialised trading partners. In the context of the hoped-for single market hy Luxemhourg yesterday asked the European court of justice to annul the European parlia-ment's decision to hold some of its plenary sessions in Brus-

sels, Reuter reports. The Luxembourg Government, which fears the departure from the Duchy of hundreds of parliament officials, claimed the assembly had exceeded its powers in deciding on a different location for its plenary meetings than Lux-embourg and Strasbourg. Although most of the Euro-pean institutions are located

1992, it calls for "a more clearly focused commercial policy" in cars, shipbuilding, aircraft, shoes, and believes the time has come for Community competence to stretch to export in Brussels, the Parliament's administration is based in Luxembourg city and its pla-nary sessions are held once a month in Strasbourg.

A majority of MEPs, how-

ever, want to bring all EC institutions together in the Belgian capital. A first move towards this goal was made on January 18 when they adopted a resolution allowing the assembly to meet in Brussels for some special sessions. France, which also objected to the resolution, did not join the court action.

credit, hitherto governed by arrangements reached in the wider forum of the Organisation of Economic Co-operation and Development

that export credits to Eastern Europe need to be co-ordinated, particularly in the light of expected forthcoming negotiations for hilateral trade agreements this year with Poland, Bulgaria and the Soviet Union. Mr Ivan Ivanov, vice chairman of Moscow's State Foreign Economic Com-mission, yesterday started two days of preliminary talks with EC officials here. Mr Delors said he hoped that

the Commission, working together with newly appointed special co-ordinators from member states, would be able to produce for the Madrid summit in late June a progress report on abolishing EC inter-nal frontier controls.

According to the new Commission programme, member states can expect this year from Brussels new proposals on harmonising corporate tax bases and rates, extending insurance liberalisation, improving banks solvency ratios, a European company statute providing for optional worker participation, setting common which taxes and fur-ther liberalising fares carecity ther liberalising fares, capacity

in the energy sector.

# and market access in air trans-On its own anthority in the competition field, the Commission is planning, among other actions, to issue a directive libaralising the telecommunica-tions service market and to reduce obstacles and state aids The Commission's main "green" move this year will be a proposal to set up "a Euro-pean Environmental Protection



Brothers in Communism Mr Gorbachev and Mr Honecker may be, but the latter dislikes the former's reforming ways

# Gulf widens between leaders and led in East Germany

month in Leipzig on East Ger-mans demanding a "demo-cratic renewal" along the lines of the Soviet Union's reforms highlighted the widening gulf between the conservative East German leadership and the A POLITICAL group which claims to he post-war Yugo-slavia's first non-Communist political party, the Social Democratic Union of Slovenia, was country's increasingly outspodue to start its founding con-

and that Russians have never known democracy. Any attempt to force reforms on East Berlin would be at the risk of an "npheaval", one

warned darkly,
However, Professor Wolfgang Heinrichs, director of the
Central Institute for Economics in East Berlin, is critical of

MR Gerhard Stoltenberg, the West German Finance Minis-ter, told parliament yesterday that he understood that the

Federal Reserve now expected the US inflation rate in 1989 to

be 6 per cent, Reuter reports

projection for inflation this

year calls for an annual rate of

only 3.6 per cent, and the Bush administration has not so far

made a forecast. The current

rate is 4.4 per cent. A rate of 6 per cent would be at the high

end of market expectations,

with some forecasts as low as 4

Germany's 1989 inflation rate was heading for 2.5 per cent. "We must take this seriously,"

He noted that the Federal

Reserve now put US 1989 infla-

tion at 6 per cent rather than 5

per cent, while inflation in

Mr Stoltenberg said West

The Reagan administration's

from Bonn.

per cent

he said.

country's increasingly outspo-ken population.

At the same time, officials openly cast donbt on the viabil-ity of the Soviet economic and gress last night in the northern city of Ljubljana. The movement's leaders say they intend to organise them-selves along the lines of Social political reforms. Mr Mikhail Gorhachev's chances of survival would be hleak indeed if he had to depend on support from Mr Erich Honecker, the orthodox East German leader. Democratic groupings in West ern Europe, and claim that they have already established contacts with like-minded parties in Austria and West Ger Party functionaries, taking a lead from him, are openly criti-cal of Moscow's reformist zeal, many.
Among the Social Demoreminding Westerners that Russia was always "backward" and that Russians have never

crats' most controversial pohcies is a demand for a separate Slovene unit of the Yugoslav national army. The army is currently one of the country's few institutions which is not divided into its republican parts. Relations between the Slovenian republic, hy far the most liberal region of the country, and the armed forces have long been tense. It remained unclear yester-

day whether the Social Demo-crats would yield to official pressure to incorporate them-selves into the Socialist Alliance, the Communist-dominated mass organisation which plays a key role in Yugoslav's power structure.

Other newly-founded organizations in Slovenia, such as the Democratic Union and the Farmers' Union, have agreed to operate at least formally within the Alliance.

The Social Democrats had until recently maintained that they would only join the Socialist Alliance if that body 'transformed itself". However the Social Democratic leader Mr France Tomsic, indicated yesterday that his party might have to yield to police pressure to join or face banning. Mr Tomsic said that in the

face of police threats, "We decided we'd have more suc-cess working inside the system than as a pseudo-political party."

## Polish union move

The Polish Government agreed with Solidarity yesterday that provisions of a 1982 law which restrict unions to representing individual branches of indus-try should be dropped. Reuter reports from Warsaw. The law should be amended "to make it possible for trade unions freely to creste their own organisational structures," a communi-

who once extolled the Soviet AN OFFICIAL crackdown last Union as the only model for East Germany now look elsewhere. Dr Hans Modrow, first secretary of the Communist party in the industrially-impor-tant Dresden district, studied in the Soviet Union and knows its problems intimately. In a recent conversation, he

> Leslie Colitt reports on the mounting pressures for change in a country whose top echelons would rather keep things as they are

suggested that East Germans felt closer to Japan, of which At 60, Dr Modrow is regarded by some as a potential succes-sor to the 76 year-old Mr Honecker, However, he is not a member of the polithuro and thus lacks a power base. Meanwhile, the untiring Mr Honecker has made plain that he intends to stay on at least

until the party congress in May

Britain was now 7 per cent and in Italy approaching 6 per cent. Rising inflation justified a recent tightening of monetary

policy hy central banks, he

added. West Germany's central bank, the Bundesbank, left its leading interest rates unchanged yesterday despite strong market speculation of

But some economists said

the decision might only have

postponed an interest rate rise

aimed at countering worrying signs about domestic inflation.

cy-making central council left the key discount and Lombard

lending rates unchanged at 4

Consumer prices jumped by 26 per cent in the year to Jan-

uary, after an increase of only 1.6 per cent a month earlier. Wholesale prices, an indication

of future trends in consumer

prices, rose 5.1 per cent.

and 6 per cent respectively.

A meeting of the bank's poli-

officials who gloat with Scha-denfreude over Mr Gorbachev's mounting problems at home. The front-runner in the suc-cession remains Mr Egon "Gorbachev is all we have," he Krenz (51), who is the powerful declared recently. The Soviet leader was entirely right, he said, in noting that, if peres-troika failed, the outlook for central committee secretary in charge of security, youth and sport. He is deemed to be as much of a hardliner as was Mr the Socialist community was Honecker when he rose to But East German officials

in US, says Stoltenberg

have caused Mr Honecker's popularity to sink to its lowest point eince becoming leader. But the East German media continues to extol domestic stability while comparing it with rampant inflation and plummeting living standards in other Warsaw Pact states.

ing and opposition to reforms

The anthorities hrand as "anti-Socialist" all attempts by citizen groups to lift the vell of secrecy over nearly all aspects of life. Thus, independent environmental groups seeking to obtain data on the country's serious pollution problem, are criminalised. At the same time, the Protestant church, which shields such groups along with civil rights activists, has seen its relations with the state sink their worst level in more than a decade.

A senior churchman in Dresden said the authorities privately acknowledged the wide environmental pollution. But the political priority remained economic growth at all costs in order to prevent living stan-dards from falling.
Supt Christian Ziemer of the

Protestant church in Dresden said the basic problem was that "people no longer accept the GDR (East Germany) as their natural Heimat (home and country)." It was an identity problem connected with the opening of

By Judy Dempsey in Vienna

AS THE number of ethnic

Hungarians from Romania who are seeking political asylum in

Hungary increases, both countries are now considering joining the United Nations 1951

More than 12,000 ethnic Hun-

garians have already been

granted permits to remain in

Hungary but officials in Buda-

pest believe there are thon-

sands more in the country.

Many of them, who come from

Transylvania, the home of 1.7m ethnic Hungarians, havs crossed illegally or on

short-term visas and are refus-

ing to return because they say

they are denied the right to

learn and speak in their

sistently rejected such claims, arguing that all the minorities have full rights and are not

Romanian officials have con-

Convention on Refugees.

Another Dresdener, in his East Germany to visitors from the West and vice-versa. People used to come to terms with the

restrictions on expressing themselves, but were now highly conscious of this probshould be criticised. Take our social policy, for example," he said. But he went on to lam-

neighbours.

The younger generation was, suddenly asking why things could not be changed in East Germany, but they and older citizens did not wish to become personally involved in a strug-gle for civil rights, he said. "It is easier for them to apply to

twenties, expressed a widely-held sentiment in East Ger-many. "Not everything here

Since 1988, several special

camps have been set up both in Budapest and in Dehrecen,

which is close to the Romanian

border to cater for the ethnic Hungarians. But both the

Hungarians. But both the expense and the growing problem has prompted the Hungarian Foreign Ministry to open up negotiations with the UN High Commission for Refugees. Last week, Mr Ghassan Arnaout, the UN's chief legal expert on this matter, held talks in Budapest and said the Hungarians were seriously thinking about signing the 1951

thinking about signing the 1951 Convention. If this is the case, Hungary will be the first East European country to do so and

is a reflection of the ministry's

policy of moving closer to the

If Hungary presses ahead, this could lead to an extremely

complex problem in terms of

its relations with its Eastern

bast the lack of incentives to earn higher wages. It was not Mr Gorbachev's reforms which East Germans yearned for Few citizens really cared about reforms in the Soviet Union. "It is the West," he said.

"It has totally outclessed us in the race for technological superiority and high standards of living. Once upon a time we spoke about overtaking West Germany, but now we would be satisfied just to keep what we have."

In theory, it could mean that citizens from East Germany,

Czechoslovakia and Romania

could take advantage of Hun-gary's new status and make

efforts to cross the border into neighbouring Austria which is

already experiencing serious

difficulties in coping with the

influx of people come from

Eastern Europe.
Alternstively, Hungary could demand that the citizens

from these countries require proper entry visas and other travel documents.

Meanwhile, in a surprise

development, Romania said it would now think about signing

Fed expects 6% inflation | Hungary and Romania may both sign United Nations convention on refugees

a withholding tax on the bills
- Letras del Tesoro - held by

A Fluance Ministry state-ment said tax on capital gains on one-year Treasury hills held by non-residents was 20 per cent when the investor's

cent where such agreements

regime applying to Treasury bills or any other public debt instrument is foreseen," the

the Convention.

Mr Georghe Dolgu, the
Romanian ambassador in Economists say many foreign investors have been avoiding tax on capital gains by selling Letras del Tesoro Geneva, raised the matter with Mr Arnaout and the UN Commission for Refugees intends to by selling Letra visit Romania probably in May. before maturity.

# Agreement signed on nuclear breeder that no one wants to host

By David Marsh in Bonn

FRANCE AND West Germany remain deeply divided over where to site a European nuclear fast breeder in spite of an agreement signed here yesterday between the two countries and Britain to join forces on building the European Fast Reactor (EFR) during the

Officials from Electricité de France, the French state util-ity, reaffirmed that France does not want the EFR on its soil, reflecting its long-stand-ing wish to give the Federal Republic the leading rols in huilding and financing the next international hreeder

reactor. West German officials however ruled out that the EFR could be built in the Federal Republic. This is in view of Republic. This is in view of strong domestic anti-nuclear opposition which has prevented an almost completed fast breeder at Kalkar on the Lower Rhine from going on stream after years of wrangling with regulatory authorities.

The uncertainty over the EFR siting reflects the considerable disarray of the European fast breeder programme, which has been scaled back dramatically from ambitious

which has been scaled back dramatically from ambitious plans at the beginning of the 1970s. Yesterday's agreements, signed by government, industry and research establishment representatives from the three presentatives from the three presentatives from the three presentatives from the three presentatives are stablishment. countries, provide a framework for designing a 1,500 MW reac-tor which would cost around DM 6bn (21.8bn) on present

The accords represent an effort by the three countries' nuclear establishments to keep their options open for develop-ing a source of electricity which will not be commercially viable until well into the 21st century. No decision on the aite for the plant will be neces-sary until 1993/94. However officials made clear that, even

by then, West Germany would not come into question. Mr Heinz Riesenhuber, the West German Technology Minister, is anxious to keep the public sector commitment to the controversial nuclear programme as low as possible. Speaking at yesterday's cere-mony, he said the nuclear industry needed a long term view to look beyond the fears of the moment about nuclear energy.

mergy.

Mr. Jean-Pierre Capron, head of the Commisariat à l'Energie Atomique, the French atomic energy authority, said the three countries had to concentrate on boosting the fast breeder's economic competitiveness. French officials claim. tiveness. French officials claim that France's Superphenix fast breeder produces electricity at 25 times the cost of first generally in the cost of th ation nuclear reactors, although the calculation has been upset by considerable technical problems which closed down the French plant

closed down the French plant temporarily last year.
David Fishlock, Science Edi-tor, adds: Britain is now to have full access to perfor-mance details of Superphenix, a highly instrumented reactor from which it had been excluded.
British designers with the

British designers with the National Nuclear Corporation

a GEC subsidiary — believe
they can achieve a big reduction in cost with their latest ideas for packing a more pow-erful system into a substantially smaller reactor contain-ment of the same basic concept

Mr John Collier, chairman of the UK Atomic Energy Authority, the senior British official in Bonn, said there was already mutual respect, under-standing and confidence between the three national fast reactor teams. "We Europeans recognise our future interests are best served hy working

# Spain gives assurance on Letras

THE SPANISH Finance Ministry said yesterday it had no plans to change its tax requirements for foreigners requirements for foreigners investing in one-year Treasury bills or other government pager, but it would enforce the payment of existing taxes which foreign investors in the past had not always paid, Reater reports from Madrid.

El Pais newspaper reported earlier that Spain would apply

country had no reciprocal tax agreement with Spain. It ranged from five to 15 per

Discount houses should apply existing legislation rigorously, the statement added, and would be held strictly responsible if they did not.
"No change in the tax

statement said

# Government takes back seat to Italian party manoeuvring John Wyles on the intense behind-the-scenes activity which has preceded tomorrow's Christian Democrat congress

mother tongue

of politics in Italy. For the past month the Christian Democratic party (DC), the dominant party of government for 40 years, has been talking to itself. Gov ernment activity has been reduced to a shuffle as key ministers, from passed hundreds of hours in frequently acrimonious backroom meetings, preparing for an event which has clearly preoccupied them far more than the public deficit, the Mafia or any other national problem. Tomorrow, however, the rituals of 16th century Florence must give way

to the trappinge of 20th century democracy when a thousand or more delegates gather for the first con-gress since 1986, and arguably the most important of this decade. And by Tuesday or Wednesday (democracy is flexibly programmed in Italy) we should know whether the political terrain inside the party has shifted so far as to rob Mr Ciriaco De Mita, the leader and Prime Minister, of much of his political authority.

This is not a concept which has mattered much to the party in the past. Power has been understood in terms of electoral success delivering effective control of the state's political and economic institutions.

In the eighties, however, the electoral oickings have been thinner (the DC has dropped from 42.4 per cent of the vote to 34.3 per cent in 30 years), competition from the Socialist party much stronger and the basic popular demand for more effi-

cient government more manifest.
In only the past 10 months of his seven year term as party secretary has Mr De Mita begun to see the world through the eyes of a man of government rather than party. He has grasped the size of the nation's problems (public debt, bureaucracy, poor public services) and the difficulty of supplying a governing response through a rowdy five-party coalition based on a party, his own, which tends to bring oeither applica-tion nor coherence to the task

Though he would dearly like to remain leader. Mr De Mita appears to accept that DC tradition and a change in the balance of internal forces within the party probably decrees that he must step down. He is determined, however, to maintain the strongest possible grip on his party, fearing that otherwise his coalition will expire by the autumn, lacking the strength and credibility to fulfill his ambition of a 2-4 year

The impact of renewed governmental weakness and political crisis on the country's real problems - above all on the battle to control public deficits and debt - would be disastrous. Urgently needed spend-ing cuts will not go through, and financial markets will demand still higher real interest rates in return for providing new debt and servicing

But the DC is ill-accustomed to the idea that party exigencies must be adapted to those of government. As s federation of interests ranging

MR CIRIACO DE MITA, the Italian Prime Minister, has circulated his cabinet colleagues with plans for apparently deep-rooted cuts in health and pensions spending which also seek important economies in the cost of public employment and rail subsidies, writes John Wyles. He wants the proposals to be seen as an urgent response to the need to reduce public spending this year if the budget deficit is to be brought back from around L130,000hm (£54.5bn) to the original target of L117,300bn (£49.2bn). But his plans, prepared by a committee of experts. are also designed to curb spending mechanisms in the years ahead.
The most important provisions would be to raise the male pensionable retirement age from 60 to 65 and female from 55 to 60. Pension

from the social democratic left to the soft right, it has believed for 30 years that allowing its leader to act as Prime Minister limits too severely the party's room for independent political initiative. As a result, many Premiers, mere

faction leaders without control of the party, have in the past heen whisked out of office by factional in fighting

Simple judgment suggests that the DC would be unwise to treat Mr De Mita in the same way because he is the first authoritative party figure to hold the premiership since 1981 and is the key to its fortunes in this June's European Parliament elec-

increases would be indexed for inflation only for general pay rises negotiated in the economy. Charges would be reintroduced for a range of health services and the administration of the service would be given to professional administrators.

Civil service and local authority

pay rises would be limited to 1 per cent in real terms for the next three years and seniority psyments replaced by merit and productivity criteria. Meanwhile, railway charges would be raised by 30 per cent over three years. The fate of the proposals will be strongly influenced by the outcome

of his party's congress this week-end. If he is seen to lose the battle for power and influence, his chances of piloting them through the cabinet and Parliament are minimal.

Moreoever, the premiership has come to be seen within the country as a more important position of leadership due to the efforts of Mr Giovanni Spadolini and Mr Bettino Craxi, the Republican and Socialist leaders who filled the office for the six years to 1987. If the DC congress puts any distance between itself and Mr De Mita, its claims to be Italy's natural party of government would begin to

look rather threadbare. This is the Prime Minister's key theme and one he has been stressing in every weekend speech to rallies of the faithful. If he cannot manoeuvre the congress in some way to re-elect key, and the search for power above

him secretary, and it looks unlikely that he can, he will have three basic

To ensure that the congress endorses the "political line" he has traced both in terms of public policy and party management over the last

• To secure the election of a secretary over whom he could exercise some control.

 To have himself elected president of the party so as to emphasise that he remains a major political figure. The problem is that Mr De Mita is sure of a majority only for his politi-cal line. Since he was re-elected without opposition in 1986, the old DC factions have reformed with a vengeance.

The Prime Minister is nominal leader of the DC left which will command around 35 per cent of the votes at the congress. As both leader and Prime Minister be has taken care of his own, creating resentment by posting his men, frequently, but not exclusively, southerners, into key positions not only in the Government, but also Parliament and public sector banking and industry.

How much he gets his own way depends on how far he is willing to satisfy the so-called Azione Populare (also known as Grand Centre) faction with 37 per cent of the votes.

Assembled by Mr Antonio Gava, the Interior Minister, this faction puts the need for party unity above pol-

Mr Gava wants to cut down Mr De Mita, but not to humble him. He might be content to have him as president of the party if Mr De Mita would swing behind a unity candi-

for a week or so, this designation has sat on the shoulders of Mr Antonio Forlam whom Mr De Minis does not want. Mr Forlam has been secretary in the past and Prime Minister for seven months in 1980-81. Nice and not too industrious, Mr Forlam is, not too industrious, Mr Forlam is, nor followers (Forlaminate). his own followers ("Forlaniani") in

the party.

His election to the secretaryship would be seen, therefore, as a defeat for Mr De Mita, for which the party presidency would not be sufficient compensation. But will the Grand Centre (which "adores Vaseline and gentle change, with no dead in the streets," writes one leading commentator) really confront Mr De Mita and perhaps even risk his resigna-

It is being encouraged to do so by the other powerful DC baron, Mr Giulio Andreotti, the 70-year-old for-Giulio Andreotti, the 70-year-old for-eign minister, who is the country's most popular Christian Democrat, has the backing of the Roman Catho-lic church and 16 per cent of the delegates Having been so five times in the past, Mr Andreotti would like to be Prime: Kinister again and appears to have little anxiety that the DC may rim the risk at this congress of weakening its hold on power.

# **Portuguese** inflation up sharply By Diana Smith in Lisbon

A STUBBORN, sharp rise in Portugal's cost of living last

month suggests Mr Anihal Cavaco Silva's Government is losing its much-vaunted war on infiation.

With a January monthly rise of 1.5 per cent and yearly total of 12.2 per cent, inflation is far

from the 5.5-6 per cent year-onvear target vainly set for December 1988 then postponed to March 1989. It also outstrips averages in the European Community whose lower levels the Government promised to reach

After three years' steady decline inflation began to rise again last June Food prices were hit by torrential 1987-88 rains and a disastrous farming year. Now, the unusually-dry autumn and winter are again pushing up food prices.
Imported inflation, from which the authorities escaped in the 1985-87 bonanza of cheap

oil, commodities and dollar, is now increasing, as are domes-tic lending rates (now above 21 per cent for short-term loans). Echoes of the failure of over-confident officials to win a confident officials to win a much publicised battle, are reverherating in Mr Cavaco Silva's recent plunge in the opinion polls, union demands for higher wages and reluctance by manufacturers to rein in prices as they may did to in prices as they once did to help the Government be seen to be reducing inflation.

### Belgian kidnapping suspect arrested

A YUGOSLAV suspected of kidnapping former Belgian prime minister Paul Vanden Boeynants was charged with theft and possession of false documents in the eastern French city of Metz yesterday, Reuter reports.
Bajrami, 34, was arrested on
Tuesday at Metz railway station. He was carrying a large

sum of money French police sources and said he was suspected of kidnapping Mr Vanden Boeynants, who was freed on Monday after a ransom of up to \$1.4m was raid £1.4m was paid.

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### **OVERSEAS NEWS**

# Premadasa wins | Aura of scandal taints future prospects for Recruit secure majority in Sri Lanka

defied death threats and an election boycott called by the extremist Sinhalese JVP gave President Ranasinghe Premadasa a secure parliamentary majority on Wednesday.

In an enlarged assembly of 225 MPs, elected for the first

time on a complicated propor-tional representation system, tha ruling United National Party won 125 seats. The main opposition party, Mrs Sirimavo Bandaranaike'a Sri Lanka Freedom Party, won 67 seats. Parties and groups represent-ing the Tamils and Moslems of the island's north and east can count on a solid block of 23 MPs. Two small radical parties

won three seats each. Voter turnout was more than 70 per cent in some con-stituencies in spite of weeks of pre-election violence which claimed as many as 200 lives. In the presidential election in December, the percentage poll of 55 was an all-time low.

The UNP and SLFP lost

heavily in the Tamil and Moslem areas, to make the commu-nal divide even more striking. In the deep sonth, the JVP

SRI LANKAN voters who stronghold, the turnout was stronghold, the turnout was less than 20 per cent. Containing the Sinhalese youth revolt is likely to become as serious a challenge to President Premadasa as did the Tamil youth insurgency for his predecessor. The Tamil Tigers, while officially boycutting the polls, made no serious effort to disrupt them. In fact, the voting in some Tamil areas suggests in some Tamil areas suggests they may have backed some sympathetic independents.

government officials may go out of their way to be nasty to The Tamils, who run provincial councils in the north and east set up under the India-Sri ont of their way to be hasty to Recruit. Also, for aome divi-siona, tha company name, which was a big asset, has now become a liability. As a result, speculation is Lanka peace accord, have returned to parliament in Col-ombo which they had boycotgrowing in Tokyo that the once high flying group, which had sales in 1987 of Y420bn (\$3.3bn), ted for the past six years. While this is a tribute to Indian diplomacy, it could present problems for Mr Rajiv Gandhi, the Indian Prime Minister. Mr Gandhi's Congress Party was recently trounced by will soon be broken up and its parts absorbed by other compa-

Recruit's business problems have been building ever since

tions services - relied heavily on special favours from vari-

ous levels of government. These will not be available in

the future and, in some cases,

HE future of the Recruit publishing group as an independent entite the scandal over the placement of Recruit Cosmos shares with leading politicians, civil ser-vants and businessmen came to light in June. They have publishing group as an independent entify looks increasingly in doubt as the scandal over its large gifts to leading politicians, civil serbecome especially serious in vants and businessmen the last few days since the group's founder and former chairman, Mr Hiromasa Ezoe, It is emerging that most of Recruit's businesses — pub-lishing magazines on job and and three other top group executives have been arrested and housing markets, developing and financing condominium apartments and offering com-puting and data communica-

detained in custody.
On Wednesday, the Ministry
of Education ordered school boards across the country to cease giving out lists of stndents to private companies. While the move applies to all companies, it was aimed particularly at Recruit, which used the lists for distributing its profitable college guide-

books to students.
On Tuesday, Nippon Investors Service, a leading Japanese bond rating agency, amounced that it had shelved its rating assignments on three issues of unconvertible bonds of Recruit Cosmos. NIS said that because of the scandal it had become extremely difficult to make reliable earnings esti-mates for Recruit Cosmos. Analysts noted that NIS was

owned by a number of leading Japanese banks and its moves could sometimes be interpreted as a signal of the banks' think-

As a private company, Recruit does not publish financial statements, but Tokyo analysts believe that it has become very highly geared, largely on bank finance. According to reports circulating this week, the group's total borrowings from 10 leading commercial hanks amount to about Y1,700bn, and its total assets, mainly real estate, no longer exceed this amount by much. Moreover, analysts expect that cash flow into Recruit Cosmos, which has grown very rapidly in the past few years to become Japan's second largest condominium huilder, must be

condominium huilder, must be suffering. "Would you put down a deposit to buy a home from this company?" Mr Jim Doberty of brokers Jardine Fleming Securities in Tokyo, asked rhetorically.

Mr Akio Mikuni, president of Mikuni & Co, another bood rating service, said that Recruit Cosmos had grown rapidly in large part because it used the

large part because it used the

group's infloence with politicians to get its development projects through the complex weh of government approvals.
"Its lubricants are not going to be working in the future," he predicted.

Meanwhile, the Ministry of Education's move to block dis-tribution of student lists to Recruit will hurt the company's publishing husiness. The company compiles an annual guidebook on the plans of graduating high school students on the hasis of surveys mada among the students. It then solicits advertisements from potential employers and dis-tributes tha books to students all over tha country. It will now be more difficult for the group to assure full distribu-

The claims In the advertise ments in these guidebooks have also been criticised from time to time, but Recruit succeeded in 1984 in blocking a Labour Ministry attempt to tighten regulations on these adverts. Now, those regula-tions are likely to be tightened. One of its other publications, weekly magazina on the real

estate market, is widely believed to have had a mutually heneficial information exchange with Recruit Cosmos over the years, hnt this will presumably no longer be so aluable in the future.

In its computer services and data communications business, Recruit benefited greatly from Recruit benefited greatly from its special ties with Nippon Telegraph and Telephone up to now to build up a position in these new markets. It has emerged that NTT officials actually went around to customers with Recruit salesmen. recommending that they huy services from the newcomer. However, such generosity is unlikely to be forthcoming in

Recruit has Invested beavily in computing services but has not yet achieved profitability in this sector, analysts say. However, its stained name is already hurting its sales pros-pects. For example, Matsushita Electric Industrial, the giant consumer and industrial electronics group, bas backed away from a plan to use a

Ian Rodger reports that withdrawal of government favour will hit the Japanese publishing group hard supercomputer that Recruit has installed in Osaka. Analysts suggest that the Recruit businesses, if put up for sale, could be of interest to companies in similar sectors or to a general trading company, hut doubt that any hidders would come forward in the near future because of the whiff of

> Normally, in a situation like this in Japan, a company's lead bank would take charge of things, injecting managers and trying to find a loog term solution with a minimum of disruption. However, Recruit does not have a lead bank, so the prospect of a long, messy restructuring cannot be ruled

> Inevitably, the name of Sumitomo Bank as a potential rescuer has been named. Sumitomo has acquired some fame for taking over troubled husinesses and turning them into success. However, a Sumitomo official said yesterday the speculation was unfounded and that Recruit was not of inter-

# Key Afghan group returns to shura

By Our Foreign Staff

A KEY moderate Afghan rebel group last night returned to the shura, a special council debating the makeup of a possible interim government for Afghanistan, but the council's divisions aeemed no nearer

The Afghan National Libera-tion Front (ANLF) returned to the shura following a two-day boycott after Moslem fundamentalists proposed an interim government for Afghanistan, Zabihullah Mojaddidi, a party spokesman said.

Front members said their absenca - sparked by disagreements over how many seats should be given to eight Tehran-hased mujahidaen groups – weakened opposi-tion to a government under Ahmad Shah, a fundamentalist US educated engineer.

-The proposed provisional government is the same one created last summer. But Mr Mojaddidi said the proposal was incomplete and that "we don't believe it should be discussed at this stage."

His group wants issues such as the role of the head of state and the government to be determined before the council

His father, ANLF leader Sibghatullah Mojaddidi, is acting chairman of the sevenparty Moslem rebel alliance based in Pakistan that is fight-ing to overthrow the Afghan government of President Najib. The ANLF boycotted the shura after the elder Mojad-didi's proposal to allow rebels based in Iran into the council was rejected by the other Paki-

stani-based leaders. Mr Mojaddidi said another reason for ending the boycott was the acceptance of fundamentalists in a seven-party Pakistan-based alliance of a commission to investigate the problem of the Tehran-based

The abura commission started hearings on Wednesday, but Tehran-based leader Mohammad Karim Khalili said no progress had been made in finding a solution to the prob-lem of the Iranian-backed

He told a news conference on Thursday in Rawalpindi, the garrison town near which the shura is meeting, a solution was no nearer than a week

the Tamil nationalist DMK in the south Indian state of Tamil Nadu. The Tigers are sure to use the Tamil MPs in Colombo as well as the DMK government in Madras to persuade Mr Gandhi to get the Indian troops off their backs.

In Afghanistan, fighting, which had lulled, intensifies d around Kabul, the capital and

Radio Kabul claimed 34 guer-rillas were killed in fighting during the past 24 hours. A barrage of rockets hit two

cities, killing 12 people, Radio Kabul reported yesterday. It said that six people, including three children, died when six rockets blasted into residential areas of Kabul, and another six people died in Ghazni city, about 105 miles south of the capital, in another rockat

Fighting continues with shelling and aerial bombardments: around: Afghanistan'e second city, Jalaishad, on the road between Kabul and Pakis-tan, continuing to drive refugees Into Pakistan. -

Radio Kabul earlier reported that hundreds of Pakistani troops had been deployed around the eastern city of Jalalabad and along Pakistan's bordar with Afghanistan repeating allegations of Pakistani interference which Pakis-

tan denies. Pakistani Prime Minister Benazir Bhutto told a news conference on Monday "there is not a single troop sent into Afghanistan," nor does Pakis-tan plan to send any in.

The Afghan government yes-terday thanked the Soviet Union for its help in Afghanistan but said future relations should develop on the basis of non-interference in each other'a internal affairs. "The government of the republic of Afghanistan, on

behalf of the entire people of the country, expresses its appreciation to the people and the government of the Soviet Union for their all-sided assistance and continued solidarity in tha causa of defending Afghanistan'a national sover-eignty, political independence and territorial integrity," the government said.

It accused the United States

and Pakistan of "virtually trampling" nn the Geneva agreements thet paved the way for the withdrawal of the Soviet soldiers, who entered the country in December 1979.

# **World Bank** leads aid plan for **Philippines** By Richard Gourlay in Manila

THE World Bank has accepted a co-ordinating role in a \$5bn-10bn multilateral aid plan for

the Philippines.
The move seems to ensure the country will continue economic adjustment policies pro-posed by international hank-ers, the international Monetary

Fund and the Bank.

Mr Barber Conahle, the
World Bank president, said the
so-called mini-Marshall plan, which Japan and the US are likely to play the largest part in financing, was now depen-dent on the Philippines to identify donors.

How active a role the World Bank will take is still unclear because the plan is in such an early stage. A respected busi-nessman. Mr Roberto Villaneneva, was appointed last month to speed disbursements of aid already committed and

co-ordinate the new plan.

However, officials said miniMarshall aid projects were
likely to be accutinised by the
World Bank which already ditional on structural adjustment in specific areas of the economy. Donor contributions are likely to be "dependent on certain economic goals being achieved through our pro-grammes", Mr Conable said. The World Bank'a involvement in long-term economic policy will complement the short-term financial stabilisa-

tion impact of IMF programmes, such as the \$1.3bn package now being finalised. On Wednesday President Corazon Aquino called for more assistance from the inter-

national community.
"Our resources are severely constrained, with up to 30 per constrained, with the to 30 per cent of nur foreign exchange receipts used to pay our exter-nal debt (now \$28.9bn) and 43 per cent of our budget diverted to service our external and nestic debts," Mrs Aquino

Once the IMF programme is in place, talks with commercial bank creditors for up to \$1.6bn of new money and re-negotia-tions with the Paris Club of official creditors will resume.

Mr Conable praised the Philippines as by far the best performer of the 17 heavily indebted countries, having successfully countries, having successfully creament. cessfully grown at 6.7 per cent last year whila keeping its inflation rate at below 10 per



Three detainees leave a Johannesburg hospital where they were treated during the strike

# S African detainees end hunger strike

after church leaders and lawyers received goverament assurances that many would be released, writes Anthony Robinson in Johannes-

where the hunger strike began 27 days ago, ended their fast early yesterday morning after being briefed by lawyers about a meeting on Tuesday with Mr Adriaan Vlok, Minister for Law and Order. Strikers at Johannesburg's Diepkloof prison,

Leading clerics, such as the Reverend Frank Chikane, general secretary of the South African Council of Churches, had earlier urged detainees to suspend their action pending the out-come of the meeting.

THE United Nations Security Council yesterday authorised

an independence plan and peacekeeping force for Nami-bia, taking one more step to

end 74 years of South African

rule over the continent's last colony Agencies report. The 15 council members

unanimously adopted a resolu-tion implementing an indepen-dence plan for Namibia that has been in readiness since

April 1 was set as the date to

begin the one-year plan for Namibia's transition to an

indapendent, majority-ruled

THE hunger strike by about 300 of the - Prisoners in Port Elizabeth and other jails estimated 800 South African prisoners detained decided to follow the Diepkloof example while Reverend Allan Bo joined the hunger strike as a gesture of solidarity, said they would end their fast.

The key element in a compromise reached at

the meeting appears to have been the willingness of Mr Vlok to examine each case with a view to recommending release where possible. Brigadier Leon Mellet, police spokesman, said only about 800 people were still in deten-tion out of 30,000 held since the state of emergency was reimposed in June 1986.

"Release of detainees is an on-going process Many of those still in detention will be released in coming weeks although some of them may still have some restrictions placed upon them. Others may be charged," he said.

# UN approves plan for Namibia

it the biggest UN peacekeeping mission since the Belgian Congo operation of 1960-64, a recent report by Sec-retary-General Javier Perez de which cost more than \$400m at that time and Involved 19,828 soldiers at its peak.

Meanwhile, the General
Assembly prepared to authorise funds for a 70-man team of to the territory. The mission will be called the UN Transition Assistance Group

UN military observers who will monitor the withdrawal of 50,000 Cuban troops from Angola. Half of the 50,000 Cuban sol-

diers must have withdrawn by November 1, when Namibia is scheduled to begin a week of elections for a constituent assembly. The rest are to be ont by July 1991.

# Liberalisation puts India in two minds over multinationals

David Housego on the Bhopal payout

HERE could be no more striking demonstration of the complex and confinsed attitudes in India towards foreign multinational corporations than two events that occurred yesterday in Delhi.

The Indian press, belatedly but with virtual unanimity of view, published editorials condemning the Government for accepting the \$470m compensa-tion awarded by the Supreme court to victims of the 1984 Bhopal gas tragedy. The con-servative Hindustan Times (itself owned by the Birla family, one of the most multinational of the Indian business groups) said: "The amount settled for is peanuts. The Bhopal case also shows how powerless are the third world countries against the muitinationals."

The condemnation in the press means that the opposi-tion will certainly take up the issue as another cudgel with which to beat Prime Minister Rajiv Gandhi when parliament reconvenes next week. Mr V.C. Sbukla, Information Minister under Mrs Indira Gandhi, and now an opposition leader in Madhya Pradesh where the gas leak occurred, set the tone yesterday by accusing the Government of "surrender" and demanding the \$470m be seen

as "interim compensation".

The other event was the confirmation at a press conference in New Delhi by Mr Denys Henderson, chairman of ICI, that the British-based chemicals group intended to re-assert the multinational identity of its Indian subsidiary by renaming it ICI India. The company operates under the label of Indian Explosives Ltd (IEL).

When Mr Henderson, who has been on a week-long visit to India, earlier explained the move to a business audience in Bombay and to IEL dealers in Madras, be received warm applause. In Madras, a union leader responded by saying that his union bad always

stuck to the ICI label. The two incidents reflect an ideological clash in a country which is still uncertainly navigating between its post-independence commitment to socialism and non-alignment, and its growing hut uneasy embrace of economic liberal-

ism.
The editorials draw on a long history of hostility to mul-tinationals as indifferent to the welfare of developing countries and as putting balance sheets

before burnan values. Distrust of foreign capitalism lies hehind the Indian foreign exchange regulations which normally limit foreign compa-nies' equity bolding to 40 per

The difficulties that multinationals meet in India was one of the reasons that ICI considered pulling out a year or two ago. By comparison, a factor in its decision to stay and re-as-sert its multinational identity is the more competitive and outward-looking environment it now detects.

Mr Henderson said he saw a growing realisation that "India must consider itself part of a world market". Ten years ago the balance of opinion in India was still hostile to multinationals as symbolised by Coca-Cola's winding up its operations. Overall the balance today is favourable as reflected in Coca-Cola's application to return. The difficulties it is experiencing in gaining approval for its project demonstrate as well the uncertainties

of a transition phase. Behind the indignation in the Indian press at the \$470m compensation (roughly equivalent to India's existing current account deficit) is the sense of humiliation that Indian lives have been valued more cheaply than American ones and that the Government has accepted this. In practice official compensation for those killed in railway or other accidents puts a value on buman life in India of Rs2,000-Rs10,000 (£73-£365). The \$470m works out et substantially more than that.

The editorials also reflect anger that Union Carbide bas escaped without formally admitting any liability.

In Bhopal, interviews conducted by local reporters suggest there is more relief that the litigation is over than anger at the size of the award. "There is no point in now saving that the amount is too low", ooe Bhopal resident was quoted as saying yesterday.

"The fact is that Union Carbide is so powerful that we cannot fight it long. A compromise always has an element of sur-

This readiness to compromise could change if the funds to be distributed disappear in bureaucratic delays or in corcynics in Delhi yesterday who argued that the award would end up in officials pockets. Help for UK companies, Page 6

# PLO talks are 'delusion'

By Andrew Whitiey In Jerusalem

Israeli Defence Minister in charge of putting down the Palestinian uprising, is taking advantage of a decline in the violence to try to entice the inhabitants of the West Bank and Gaza Strip into a political

was broadly endorsed by Prime Minister Yitzhak Shamir, the Likud leader, and "most" other members of the coalition gov-ernment, Mr Rabin did not conceal his goal of separating the 1.7m Palestinians in the occupled territories from the Pales-tine Liberation Organisation.
"If you are hoping the dia-logue between the US and the PLO will bring about a solution (to your plight), you are deluding yourselves," he told Palestinians last night in an interview on the Arabic service

He argued that recent high-level contacts between West European governments

and Mr Yassir Arafat, the PLO chief, would bring no practical changes on the ground. Meanwhila, he noted, the Administration of President George Bush had made clear it

would not impose any solutions on Israel Local Palestinians thus had little choice other than to negotiate directly over their future with the Israell Government, Mr Rabin said. He repeated his previously ontlined plans for so-called "political elections" followed by a period of far-reaching autonomy for the region and, later, confederation

with Jordan. The peace plans to be taken

ians who see his proposals as "waste disposal autonomy", Mr Rabin said the Government accepted the West Bank and Gaza Strip "as a political

R EDUARD Shevardnadze'a 10-day tour of the Middle East, which begins today, is nestly timed. The Soviet Foreign Min-

istan factor, it is a propitious moment for Soviet attempts to resolve the Arab-Israeli dis-Soviet diplomacy had a hand

in persuading the Palestine Liheration Organisation to accept the existence of Israel at certed and high-level Soviet

effort in the region in recent yeara, underlining Moscow'a desire to present itself as an

the moderate Arah states in the Middle East, with a revival of high-level contacts with Egypt, and the first-ever visit Jordan.

tially new ideas in the diplomatic baggage we will be tak-ing with us on this trip," Mr ment of this long drawn ont and extremely tronhlesome

Soviet officials want to seize the opportunities arising from the renunciation of terrorism for the start of a dialogue between the PLO and the US. each other, appear well placed

With Afghanistan behind them, the Soviets go on diplomatic tour. Quentin Peel and Victor Mallet report

Cuellar on implementing the plan, which calls for sending 4,650 UN peacekeepers, 500

police supervisors and at least 1,000 civilian election monitors

Three enlarged infantry bat-

talions will comprise the mili-tary arm of Untag. These are expected to be supplied by Fin-land, Kenya and either Malay-

sia or Bangladesh. Mr Perez de Cuellar has esti-

New, cleaner Moscow sets off for the Middle East

nation. mated the project will cost
The resolution also approved \$416m in its first year, making

meet Mr Arafat in Baghdad. Paradoxically his first stop might be the most difficult.



Shevardnadze: new ideas

on President Hafez al-Assad's continued support for radical Palestinian factions opposed to Mr Arafat, He will probably urge President Assad to patch up his relations with Mr Arafat, and ha will douhtlass

encourage the tentative rapprochement between Syria and Egypt, which is slowly being accepted back into the Arab fold after the disgrace of its 1979 peace treaty with Israel. Syria insists that it must be a party to any Middle East set-

tlement, hut it is clearly worried hy the contrast between generous US backing for Tel Aviv and the lack of Soviet enthusiasm for the Syrian dream of "strategic parity" with Israel. "If the Americans are not going to change their policy, it means that the Soviets have to reconsider their Middle East detente policy," Mr Farouq al-Sharaa, the Syrian Foreign Minister said

So far, however, the Soviet Union has shown no inclination to do any such thing. Instead it has pressed Syria to keep repaying its \$15bn military debt to Moscow, and at the same time strengthened its links with traditionally prowestern and conservative Arab

In Iran and Iraq Mr Shevardnadze is expected to try to consolidate the Gulf war ceasefire. Although the Soviet Union was Iraq's higgest arms supplier during the war, it is anxious to improve relations with Iran, which lies on its southern border close to the Soviet Union's

states.

own Moslem communities. The one missing element in the visit is any attempt to raise the level of relations with Israel, but even on that score the Soviet Union has managed to reopen its lines of communi cation without arousing Arab

Diplomats in Moscow believe the Soviet Union bas heen remarkably successful in renewing its links with Israel They have done it behind closed doors, and using consular excuses," according to ooe Western diplomat. They are now very well placed because for the first time in years they can ssy they are talking to both sides."

# Rabin tells Palestinians

MR YITZHAK Rahin, the

dialogue.
Insisting that his initiative

to Washington by Mr Shamir in April would be largely based on his ideas, he said. Trying to reassure Palestin-

ister sets off only two daya after the departure of the last Soviat troops from Afghanistan, where Moscow's fight against Moslem rebels alienated many Arabs. Even without the Afghan-

the Palestine National Council meeting in Algiers last November, and Soviet relations with Israel are at their warmest since Moscow broke diplomatic ties at the time of the 1967 war. Mr Shevardnadze's tour of five countries - Syria, Jordan, Egypt, Iraq and Iran - amounts to the most con-

acceptable intermediary in Middle East peace efforts. In addition, Mr Shavard-nadze is clearly hoping to rein-force the gradual improvement in relations with Iran. But the trip is notable pri-

marily for the attention paid to by a Soviet foreign minister to There will be several essen-

Shevardnadze said in an interview before his daparture. The Soviet Union, being inseparably linked with the region geographically, histori-cally and politically, can and must contribute to a settle-

and the recognition of Israel by Mr Yassir Arafat, the PLO leader, which opened the way The two superpowers, no longer at loggerheads with to manoeuvre the various parties into preliminary negotia-tions about a Middle East peace settlement, even if the new US Administration of President George Bush is more inclined to caution than to bold initiatives. It is thought that Mr Sbevardnadze may

Syria is the traditional Middle East protege of the Soviet Union, but it has been left on the sidelines by Mr Arafat's recent conciliatory initiatives and the end of the Cold War. The Soviet Foreign Minister is unlikely to look favourably

### **WORLD TRADE NEWS**

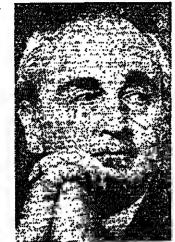
# India poised to act over barriers to UK investment

By David Housego in New Delhi

INDIA is expected to establish a mechanism that will help British companies sidestep some of the hureaucratic obstacles that can impede foreign investment in India.

The move, likely to be announced during the visit to India next week of Lord Young, the British Trade and Industry Secretary, would confer on British companies the same "fast track" status accorded to Japanese and West German groups. France is also

what india calls the "fast track" procedure was initially granted to Japan after a visit there by Mr Rajiv Gandhi, the Prime Minister. It involves senior officials from several ministries getting together with foreign officials and husinessmen, normally monthly, to discuss obstacles to investment. For companies, it provides regular access to high-level officials. British husinessmen are keen to have the same facility which they regard as giving the Germans and Japanese a competitive advantage. India would like to see the extension of the facility to Britain being accompanied hy an increase in British investment. The move would also symbolically close a cool period in British-Indian rela-



Lord Young: mending fences with India

tions. Lord Young is the first British cahinet minister to visit India since January 1988. He is attending a meeting of the Indo-British Economic Committee (IBEC) which has not heen convened for three years - itself a sign of the

India believed that Britain could do more to curh the activities of Sikh extremists based in Britain. Mr Gandhi also objected to a Panorama

programme on India last year. Subsequently a brief embargo was placed on British arms sales to India and a British ministerial visit to India was cancelled.

Notwithstanding these prob-lems, British exports to India marginally increased last year to over £1bn. This includes over £400m of diamonds which are shipped through the UK. Britain's share of Indian imports has grown from a low of 6.5 per cent in 1984 to 9.5 per cent in 1987 British companies made 34

equity-related investments in India last year. This was dou-ble the number of Japanese investments – which have fallen back sharply since Japa-nese companies moved into the Indian automotive industry between 1982 and 1984. Among the issues which Lord Young is expected to take up during his visit are India's under-utilisation of British aid funds. The British view is that India has not come up with sufficient suitable projects. Indian officials say that British prices are uncompetitive. Lord Young is to visit the Rihand power station in northern India of which Northern Engineering is com-pleting construction. GEC is a favoured bidder for the second

stage of the project.

# Canadians voice fears of clash over 1992

THE Free Trade Agreement (FTA) between Canada and the United States does not present threat to European exporters, but Canadians fear that moves toward a single European mar-ket may damage trade rela-tions between the EC and Canada, Mr Donald MacDonald, the Canadian High Commissioner in London said yester-

In a speech to the Mid-Atlantic Chub in London, he pointed to two sectors - life insurance and softwood lumber - where the creation of a single market could affect Canadian trade interests.

Canadians feared that a directive under consideration on financial services would lead to a restrictive regime, erecting greater obstacles to Canadian life insurance compa-nies in the UK, and would hamper their business in Europe generally. And EC technical standards for sof-twood lumber and plywood sold in the Community might constitute a hidden non-tariff barrier to exclude Canadian companies, he added.

that in a bargain between Community members on integration, the standard agreed upon should not be that of the most regulated market to the preju-dice of freer competition." Mr MacDonald said. If the result of integration is to introduce barriers to Canadian access which have not been there before, then difficult relations between Canada and her Euro-

pean partners will result."
At the Davos symposium on the international economy last month, some economists and

The Canadian concern is at in a bargain between Community members on integra-America and the European Community, with multilateral negotiations on the General Agreement on Tariffs and Trade (Gatt) undermined by bilateral negotiations and trade

conflicts. Mr MacDonald sought to dispel this idea by pointing to dif-ferences between the FTA and the single market. The FTA, which came into effect this year, was not directly parallel to the European Single Market,

he said. The FTA is not a customs union, he pointed out, nor is it an economic union. The Agreement creates no new or additional barriers against other suppliers such as those in Europe," he said.

Moreover, "each country will continue to maintain its exist-ing trade arrangements with the rest of the world," he said, and reaffirmed Canada's support for the Gatt. With trade relations with the US stabi-lised, he said, "Canada can now look to more comprehensive bargaining with Europe."

# Italy in joint deals with Soviet Union

By John Wyles in Rome

THE announcement of a joint Italian-Soviet banking agree-ment followed swiftly yester-day on the heels of a joint ven-ture between the two countries which will give Italian companies a major role in the modernisation and expansion of

Soviet electric power plants.
The power plant agreement involves the Italian stateowned Ansaldo group partici-pating with the private Turin company, Fata, in the creation of Energoengineering, the Moscow-based joint venture in which the Soviet Ministry of Energy will hold a 51 per cent

Precise terms of the arrange-

ment have not been made public, but some or all of the payment will be covered by the supply of Soviet electricity to Italy until 2003.

The new joint venture will be involved in the construction and updating with Italian technology of all types of non-nuclear power station. Soviet spokesmen reportedly expect the initial installation target to be 5m kW a year out of a national energy plan which forsees annual construction of 15-20m kW during the 1990s. kW during the 1990s.

Yesterday's banking agreement involves the Istituto San Paolo di Torino and Sherbank

which groups around 80,000 Soviet savings banks. Apart from setting up a correspon-dent relationship between the two sides, the agreement also provides for the joint provision in roubles and other currencies of finance for Italian-Soviet

Moscow hopes the agreement will give a push to the develop-ment of a non-cash payments system in the Soviet Union. The Italian and Soviet partners are to study how to create a credit card system as well the introduction of banking princi-ples governing interest rates, bank deposits and credits.

# Arab economic bloc formed

By Tony Walker and Lamis Andoni in Amman

IRAQ, Egypt, Jordan and North Yemen yesterday agreed to form a new economic bloc. the Arab Co-operation Council

(ACC).

Tha official Iraqi news agency said presidents Saddam Hussein of Iraq, Hosni Mubarak of Egypt and Ali Ahdullah Saleh of North Yemen and Jordan's King Hussein signed the accord in Baghdad. It is hoped that the new organisation will prove a more effective instrument for regional co-operation than previous such experiments. The pact also marks a further step pact also marks a further step in Egypt's reintegration in the

At the other end of the Arab

world, leaders of Morocco, Tunisla, Algeria, Libya and Mauratania are meeting in Martakesh to discuss the setting np of a Maghreb union stretching from the Atlantic to Libya's eastern border with Egypt.

The ACC and the planned five-nation Maghreb union would bring to three the number of Arab regional economic groupings, partially born out of frustration with the failure of the 21-member Arab League to unify Arab ranks. world, leaders of Morocco, Tun-

unify Arab ranks. One such group was the Gulf Co-operation Council, formed in 1981 by Saudi Arabia, Knwait, Bahrain, Qatar, the United Arab Emirates and Oman

# Caribbean sees a fishy side to Lomé perks

N ONE round of negotia-tions with the European tions with the European
Community on an aspect
of the Lone Convention a few
years ago, complained a senior
Barbadian diplomat, "we spent
several hours trying to determine as precisely as possible
just what was an African-Caribbean-Pacific (ACP) fish.
"It is not that we did not
consider it necessary to agree

consider it necessary to agree on a definition, but you will understand that this does contribute to a general lack of entimalsam within the region about the benefits we can get, and are getting, from the Con-

Few countries in the Caribbean are expecting any signifi-cant improvement in benefits from the new pact being nego-tlated with the European Community. As a further round of talks gets under way in Brazza-ville this week, officials say the Caribbean is not dismissive of what it can theoretically get under the trade and aid pact which links it and other countries in Africa and the Pacific with the Community. But in practice, these henefits have

not lived up to expectations. When the first agreements were being negotiated, explained one Jamaican offi-cial, the Caribbean adopted a defensive posture.

## Indelicate

"This was aimed mainly at preserving and then protecting our Commonwealth preferences for sugar, bananas and rum. Once that was achieved the region was slow to look at other and new ways in which it could make use of what the Lome Convention offered." There has always been in the

Caribbean a belief that the region, and the Pacific countries which are part of the ACP group, were of minor importance to Europe. Regional theory has it that the Communi-

ory has it that the Community's interests, particularly in
securing supplies of raw materials, were really in Africa. The
Caribbean and Pacific were
included in the Convention
simply because it would have
been politically indeficate to
have left them out.

When government officials
speak of the benefits the Caribbean receives from the Lome
Convention, they refer almost
instinctively to the trade preferences for traditional exports.
But even these are significant.
The Jamaican sugar industry,
for example, is kept alive by
the island's annual quota of
about 120,000 tonnes exported about 120,000 tonnes exported to Britain. With a progressively reduced US quota, and with production costs at just under twice current world manual training to the lifeling to ket prices, it is this lifeline to the EC which keeps the indus-

Such is the value of the EC market that some regional producers, to ensure that they do not lose their quotas and to guarantee foreign earnings, export what they produce and then meet domastic sugar demand by buying at lower world market prices.

The concern in the Windward Islands over the future of the \$150m earned each year from bananas shipped to Britain indicates the importance of the trade preferences to many countries. The governments of the islands say that unless ways can be found to continue the protection against cheaper fruit after 1992, their economies will be destroyed. But in other areas of co-oper-

**Canute James** explains a lack of enthusiasm in the West Indies for the EC's attempt to help some of its former colonies

ation, the region has not seen the benefits it clearly expected. "In financial and technical cooperation, we have been pushing the EC to increase the size of the package," said the Jamaican official. "But getting such assistance out of the EC to tadious process." The Comis a tedious process. The Com-munity has been told that it should speed up the process but so far there has been marginal progress. This is caused by slowness on the part of the EC and because the Caribbean has not formulated its projects

as precisely as possible."

The heads of government of the Caribbean Economic Community said at their last meet-ing that they were concerned at the slow pace of implementation of the financial assistauce programme. The region, with Suriname, can get approval for projects worth Ecu 84m (£54m) between 1985 and 1990, covering sectors such as tourism, transport and communications, agriculture and

human resource development. The region has submitted projects costing Ecu 62m. But according to a report six months ago by the Caribbean community's trade ministers, only one regional project has been approved by the EC to date from the programmable resources.

# Disappointed

Yet, governments are not in Yet, governments are not in a hurry to discount the value of what the region is getting. "In terms of Jamaica's total development assistance, that from the EC represents about 10 per cent," the official explained "But if we did not get this we would have to get the funds elsewhere as loans, and possibly at market rates." The Caribbean has also been disappointed in its ability to make more of what the Lome Convention offers in other promising areas such as inward investment. Most European business interest in the pean business interest in the region was established before the Convention was agreed, when several countries were European colonies. The region has not been marketing itself as a location for European

Distance from Europe is one factor, but officials say there is still concern over complicated rules of origin criteria – the quandary over the ACP fish, for example – which dissuade European companies from put-ting money into projects which could make use of the trade preferences offered by the Lome Convention.

More attention is paid to the US market because it is geo-graphically closer and because it is much simpler for the region to achieve the rules of origin criteria to ask use of such programmes as the Caribbaan Rasin Initiative which bean Basin Initiative, which allows countries selected by Washington to ship a range of products duty free to the US.

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By Peter Riddell, US Editor, in Washington

imbalances between the leading industrial countries, a group of leading international policymakers agreed at a con-

ference here yesterday.
Mr Charles Dallara, the US Treasury assistant secretary for international affairs, accepted that fiscal 1990 was a critical year for the Admints tration's fiscal policy. After two years when the policy on-reducing the fiscal deficit had marked time, he said it was "imperative that policy picked

But he added that other countries must "recognise their ohligations to promote sound policies." He claimed that the effect of policy co-ordination on fiscal policy was more substantial than broadly

recognised.

He argued that the absence of a communique after the meeting of the Group of Seven finance ministers two weeks ago showed there did not have to be dramatic new steps after each meeting. However, he said this did not mean self-eat-isfaction on the level of com-

milment to further action.

Mr Dallara, who is about to stop being the US executive director of the International Monetary Fund, was speaking at a conference on interna-

side

· := := '

But he was not scared of potential overkill on the part of government, because the pri-vate sector and policy (the actions of the Fed) were ready to adjust and take up the slack that might be created by the

# **Death threats greet** Rio council crusader

By Ivo Dawnay in Rio de Janeiro

CRUSADING housewife, elected to Rio de Janeiro's city hall after her son was killed by police, has herself been threat-ened with death for trying to fight corruption in govern-

Mrs Regina Gordilho's decision to demand a criminal inquiry into how at least 383 town hall staff were illegally contracted has led to telephone death threats and a warning that she will be killed in a

faked robbery at her home. The case represents in microcosm the real physical dangers now being faced all over Brazil by those newly-elected mayors and councillors brave enough to hunt down those responsible for years of

abuse of power. Mrs Gordilho, 54, came to national prominence two years ago when she relentlessly pur-sued five policemen whose viosee her poncerner whose vo-lent arrest of her 24-year-old son Marcellus led in still inade-quately explained circum-stances to his death.

Despite her efforts, the policemen involved were criticised only for being over-zealous in their actions by the Military Police authorities. However, Mrs Gordilho's battle won her a seat at municipal elections last November for the left-wing populist Democratic Workers' Party (PDT). Soon after, she was nominated president of the

Now, however, Mrs Gordilho has found herself in a new clash with the city's establish-

FURTHER fiscal action is tional policy co-ordination needed to reduce current organised by the National Bureau of Economic Research. an independent academic group.
Mr. Jacob Frenkel, the

earch director of the Interresearch director of the Inter-national Monetary Fund, said monetary policy had been over-burdened in the past year or so. He said this reflected the relative flexibility of monetary policy, as opposed to the inflex-ibility of fiscal policy. The same themes were taken up by Dr Wolfgang Rieke of the West German Bundesbank and Mr Robert Heller, the interna-tional governor of the US Fed-eral Reserve.

eral Reserve.

Mr Heller said that on a

three-to-four year view the administration's proposed action to reduce the federal budget deficit would result in a higher GNP in the US than otherwise by shifting resources into investment which would raise productive potential. On a short-term view, he acknowledged that it was "difficult to turn the US economy on a

By Veronica Baruffati

OVER 80,000 Peruvian miners staged a 24-hour strike yesterday in mourning and protest at the assassination on Mon-day night of Saul Cantoral, secretary general of Perq's Miners Federation, and Con-suelo Garcia, a social worker

in the irregularities, said one Confederation of Peruvian Workers said: "There will be many general strikes if necessary to defend our rights."

Negotiations between the miners and the Government to

attention on previous unsolved murders for which the Com-mando Rodrigo Franco has claimed responsibility, and on the possible links between this for the irregularities in the group and APRA.

# Oil imports | Lone Star liberal raises dust in Washington Cynthia Williams reports from Austin on the politics of a Texan 'cowboy'

R JIM Hightower, Texas agriculture A commissioner, is a man who rarely retreats from a

rights by urging European Community members to buy hormone-free beef from Texas. Mr Clayton Yeutter, the new

Agriculture Secretary, accuses

Mr Hightower, a resolutely lib-eral 48-year-old, of undercut-ting foreign policy and US eco-nomic interests by taking the side of the European Commu-

nity. Powerful Texas ranching interests, who are committed to the idea of using hormones which they believe to be harm-less, are calling for Mr High-

But he is unrepentant: "If

Ollie North can go run a private war with the approval of the Administration why are they getting in the way of a few cattlemen who want to

make a sale to our very best

tower's resignation.

good fight. His entry into the fray over the EC ban on hor-mone-treated beef from the US has prompted an indignant response in Washington. In this latest affront to the Republican Administration, Mr Hightower is challenging Washington's authority on the beef issue and claiming state's

even more ineffective.
Imports rose to an average
of 8.24m barrels a day last month, up 20.6 per cent from a year earlier and topping 8m for the first time since 1980, according to the American

Domestic crude production continued its long slide, fullng a further 3.4 per cent

6 per cent. Inventories of crude oil and petroleum products slipped 2.3 per cent.

The US oil import record is The US oil import record is 10m barrels a day, in 1977, when foreign supplies met 48.8 per cent of all US energy demands including oil, natural gas and butane. Imported energy accounted for 45 per cent of demand last month.

ture commissioner of Texas, Mr Hightower has used his political savvy to transform a backwater agency into an effective and innovative state government. He has also gained a reputation as the most prominent liberal in the Lone Star state since former senator Ralph Yarborough (on whose Washington staff he served) and he has emerged as an articulate proponent of populist politics. Earlier this year, he sur-

customers?"
In the six years since he was elected to the office of agriculthe Senate race prompted spec-ulation that he might have difficulty raising the millions needed to defeat his well-financed opponent. Mr Hightower responded by saying that "while I might be able to gather as much as \$10m, I would have to spend more time in the living rooms of the wealthy raising money than I could out in the communities

> His homespun humour helped to dispel the gloom of the ill-fated 1988 Democratic idential campaign. He was presidential campaign. He was the first and only white state-

elected official in the country to "go whole-hog for Jesse," as he put it, and endorsed Jackson for president, to the con-sternation of the conservative wing of the Democratic party.

In a speech before the Demo-cratic National Convention last July, Mr Hightower described Mr George Bush as a "tooth-ache of a man" cast in the Reagan mould who would lead the country "from Tweedledum to Tweedledumber," before thank-ing hoth as the men most

responsible for uniting the Democratic Party.

For a man who likes to refer to himself as "the candidate of all Texans who doesn't own an oil well," poking fun at the powers that be comes as naturally as sticking up for the lit-tle guy on a Texas farm

As agriculture commis-sioner, Mr Hightower has criss-crossed the 270,000 square miles of Texas since 1982, spreading his massage to liberversed in the ways of Washington and with the intricacies of the legislative process, with a penchant for taking on big business. Mr Hightower was born and

mie lies a shrewd mind well-

grew up in the north-east Texas town of Denison and was the first member of his family to attend university. After graduating from North Texas state with a degree in government, he went to Washington and worked on the staff of Senator Yarborough, the

progressive Texas democrat in the late 1960s. In 1971, he became director of Mr Ralph Nader's Agribu-slness Accountability project and traced the power of US

and traced the power of US agribusiness through owner-ship of giant farms by the US food industry.

After cutting his teeth in national electoral politics as campaign manager for a populist underded in the Dermo list underdog in the Demo-cratic presidential campaign of 1976, Mr Hightower returned to Texas and became editor of The Texas Observer, a weekly beacon of liberalism published in Austin – its message rooted in the political activism that grew out of the Texas populist traditions of the 19th century.

People think Texas is such conservative state but the truth is, it's populist," according to Mr Hightower, who says he grew up with Texans who said they were conservative. hut who "were opposed to big oil and big government if you scratch a conservative often enough, you'll find a progressive human being."

Jim Hightower is a candidly amhitious man, and he hopes to run for the US Senate or for governor in 1990. In the meantime. he will continue to entertain and provoke because, as he says, "running against Republicans is the most fun you can have with your clothes



Gramm of Texas in 1990 and would instead seek re-election as agriculture commissioner

mext year.

Mr Rightower plans to focus
on building a populist
"umbrella alliance" within the
Democratic party to promote
progressive causes.

Lie decision to how out of His decision to bow out of

raising issues, raising hopes, and raising hell."

prised his supporters by announcing that he was abandoning plans to challenge Republican Senator Phil als and conservatives alike, and inveighing against greed with a down-home folksiness that goes down well in Paris, Texas – and in Washington

At the root of his politics is the belief that "too few people control all the money and power" and that anyway, "money is like manure, it has to be spread around to do some He reminds his core constituency of predominantly white

conservative Texas farmers that "while they're drinking cabernet sauvignon and eating caviar at the White House, we're eating tuna fish and drinking Lite Beer." Mr Hightower cultivates his

image as an old-fashioned, wisecracking country politico by wearing cowboy hats and boots at public appearances. But behind the thick Texas drawl and small-town bonho-



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widespread illegalities in the contracting of town hall staff.
For just 42 councillors, the Rio chamber employs an astonishing 2,505 aldes, at least 383 of whom, Mrs Gordilho says, have been illegally contracted and many of whom never attend work.
But Mrs Gordilho's battle to clean in Rio's Appears stables. clean up Rio's Augean stables is now meeting fierce opposition from her council col-Despite innumerable telephone calls and letters from electors pledging their support, the president of the chamber

this week had many of her powers wrested away from her in a vote that by 30 to 8 handed over an internal inquiry to a newly formed committee.

The problem is that some of the councillors are implicated

Ignoring the death threats received on Wednesday, Mrs. Gordilho is still determined to continue her ethical crusade, further infuriating many of her colleagues by opening a citizens' criminal action for a police investigation of the case.
Tencountered the same vio-lence, disrespect and certainty
of impunity and corruption in

the Municipal Chamber that I saw in the Military Police when I desperately sought justice for my son," she said.
"Now I know the difficulties of punishing those responsible

fuel US drilling

By Roderick Oram in New York

debate

THE US imported more oil than it produced last month for the first time in a decade, intensifying the debate over whether oil companies should be allowed to explore in war. be allowed to explore in pro-tected places such as Alaska's wildlife refuges.

Moreover, oil deliveries con-

time to grow strongly despite a mostly mild winter, indicat-ing that the US's fuel conservation efforts are becoming

Petroleum Institute.

year-over-year to an average of 7.93m barrels a day. Deliveries of petroleum products increased 6.3 per cent to an average of 18.3m barrels a day, the third consecutive month it had risen more than

cent of demand last mouth.
Oll companies have been lobbying hard for several years to drill in Alaska's National Wildlife Refuge. The issue is likely to be decided this year, with President Bush in favour of drilling.

Peru miners strike over assassination

to mining communities.
Vigils held in the miners'
federation and trade union headquarters in Lima for Mr Cantoral were attended by thousands of workers, who accused "the American Popu-

[the ruling APRA party] and the right" for the murders. Rank and file members urged union leaders to call a general strike next week. Mr Valentin Pacho of the General

postpone a strike have been interrupted by Mr Cantoral's assassination, which has caused a public outcry.

The killing has also focused attention on travelens on travelens are travelens.

Chamber, but I believe that it ment following her exposure of WIRRAL -PREMIER'S CUP OF TEA 4.6 I have bund it easy to persuade people to move to Wirral to work — after all you only need to look at the anvironment, the housing and the limited for the last it makes Wirral II When Premier Brands was formed in 1986 through the management buyout of the Cadbury Schweppes Food and Beverage division, local management and employees enthusiastically supported the new company.

Together they have belond to nearly quadruple the company's profits in its first two years, with managing breakthroughs and manufacturing efficiencies in its tea, blacking and instent potato production at the Wirtal factory.

For courses, torsishes and distancements were based to be the these. Like Prevale, many Wizel firms are at the lossront of product innou-constant, changing and progressing.

Wirel too is changing. Large areas are being revitalised by Mercey, Development Corporation, Wirel Borough Council and the privale lidday clearance of redundant docklands and industrial sites is presenting new development : opportunities in commerce, bousing, menulooburi For a taste of things to come contact:
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# Handling of nurses' pay attacked by review body

By Charles Leadbester, David Thomas and Philip Stephens

THE PAY review hody for nurses yesterday strongly criticised the Government and health service managers for the way they introduced the controversial revised grading structure for nurses, which provoked a wave of protest last

The nurses' pay review body and the interim advisory committee on teachers' psy also warned the Government to move cautiously over the introduction of more flexible pay systems to help reduce staff

The reports issued yesterday recommended rises of between 5.3 per cent and 8.6 per cent for more than 1.34m public sector employees. The Government epted the recommendations of all the review bodies, except one that senior dental and bos-pital consultants should receive rises of more than 8.2

per cent. The rises, which in all but two cases are in line with or above the current inflation rate, are likely to do little to lessen the upward pressure on pay settlements created by

recent inflationary increases. rising interest rates and recruitment and retention difficulties. It is expected the statistics relased today will show inflation in January rose to more than 7 per cent.
The settlements were below

the 8% per cent increases in average earnings being seen in the economy as a whole, while they were above the inflation

The Government said the total addition to public spend-ing resulting from the pay awards would be just over £1.5bn but that almost all of that was already provided for in departmental hudgets.

The exception was the Health Department, which has been allocated another £142m from the Treasury's contin-gency reserve for 1989-90. That is in addition to the £62m from the reserve that is being added to the budget for the Family Practitioner Service.

The nurses' pay review body sanctions the introduction of a 55m scheme to test whether regional pay allowances will help health authorities to over-

**Doctors voice fears over reforms** 

come staff shortages. The 6.8 per cent increase will will add an extra £343m to the NHS annual paybill of £5.03bn. About 400,000 teachers in England and Wales, will receive rises of about 6 per cent. significantly more than the Government had previ-ously planned, in the light of

service. Mr Kenneth Baker, Edncation Secretary, accepted the recommendations of his advisory committee on teachers' pay, whose report published yesterday pointed to low teacher morale, recruitment difficulties and high levels of resignations in some areas, particularly London.

low morale in the education

The pay committee queried whether even a 6 per cent increase would be sufficient in view of the pressures on the teaching profession.

The full changes will add 6.3 per cent to the teachers' pay bill in 1989-90. The extra cost will be £470m next year, com-pared with the limit of £385m given to the pay committee in its original remit.

By Alan Pike, Social Affairs Correspondent

THE British Medical Association (BMA) will urge the country's \$2,000 family doctors to make pstients aware that the Government's plans to reform the National Health Service could damage levels of

The move is the first signal to the Government that it faces a struggle with the medical profession over its plans.

Members of the BMA's gen-

eral medical services commit-tee, which represents family doctors, yesterday expresse concern over central aspects of the reform proposals. The association is sending a detailed analysis to all general practi-tioners (GPs) asking them to make patients aware of its wor-

Dr Michael Wilson, chairman of the committee, said after a meeting of the committee that not a single speaker had given an unqualified welcome to the Government's recent bealth care policy paper. "It is clear that concern is mounting the more the profession examines Much of the debate at yester-

day's meeting was taken up with doctors voicing doubts about the Government's plan to make big practices into budget bolders, shopping around for hospital care on behalf of

The BMA will not take a formal position for or against the idea until a conference of its members in late April. How-ever, the briefing material being sent to GPs this week leaves no room for donbt about the BMA leadership's severe reservations over this and other aspects of the policy doc-

Although the Government says participation in the budget scheme for practices will be voluntary, BMA leaders are warning their members that it could become a mechanism for imposing mandatory cash limits on all general practices.

"The object of this White Paper (policy document) is to require doctors to balance health needs against financial constraints," says the briefing document, "In these circum-stances, patients' confidence and trust in their doctor will be undermined by the fear that financial considerations could prevail over clinical decisions."

The BMA believes its first task is to make doctors fully aware of the content and nossi ble implications of the policy paper. However, its call on doctors to share their concerns with patients could signal the heginning of a campaign against aspects of the reforms in doctors' surgeries through-

out the country.
Dr Wilson said the bealth service did not belong to doctors or the Government, but to the public. The BMA was certain patients were not yet aware of bow the Government's proposals would oper-

# Lawson 'on course for cuts in basic tax rates,' say ministers Cabinet firm on cautious budget strategy

By Philip Stephens, Political Editor

THE CABINET said yesterday it intends to stick with a "cautions and prudent" economic strategy, but senior ministers voiced confidence that Mr Nigel Lawson, the Chancellor, remains on course for tax cuts

in his March 14 Budget. After the traditional pre-Budget cabinet discussion of the economic ontlook, Downing Street said in a brief statement that it had been agreed the "central objective" of policy was to bring down inflation. Ministers left the meeting, bowever, with the clear impression that Mr Lawson may still reduce the basic rate of income tax by 1p to 24p and that he is preparing a package of measures to boost the incomes of the low-paid.

\$2bn would be entirely acceptable when set against a government surplus of up to £15bn, one minister commented.
The cabinet talks were fol-

lowed by a sharp clash in the House of Commons between Mr Neil Kinnock, the Labour leader, and Mrs Margaret Thatcher, the Prime Minister, over the recent upsurge in the rate of price increa With official figures, due this

morning, expected to show an annual inflation rate of well above 7 per cent, Mr Kinnock asked the Prime Minister when the Government would achieve its aim of stable prices. Mrs Thatcher, clearly caught off balance, responded that the Government's record showed the chances of zero inflation

Mr Kinnock, whose performance in his twice-weekly Commons exchanges with the Prime Minister has recently improved markedly, received a further boost last night from a new opinion poli.

The Marplan survey, in today's Guardian daily newspaper, appeared to confirm an earlier poll published by Gal-inp showing a significant nar-rowing of the Conservative

Marplan said that its poli, taken last weekend, showed the Conservatives at 42 per cent, Labour at 39 per cent, and the Democrats and the SDP both at 7 per cent. The Gallup poll had shown the Government lead at only 15. rcentage points. Marpian has consistently

shown a narrower gap between the two main parties than other polls, but the view at Westminster last night was that there are now signs that the recent sharp rise in inter-est rates is hurting the Government's standing.
Ministers said there was

clear concern at the cabinet talks about the potentially damaging impact during the next few months of the rise in inflation to above 7 per cent, despite soothing words from Mr Lawson was careful not

mr Lawson was caretain not to give away any of his Budget plans, but one minister said he would be "astounded" if they did not include cuts in income

tax
The Chancellor's colleagues
are anxious that he should

improve incentives for the low-paid, either though sharp rises in thresholds or through a restructuring of National Insurance Contributions. Mr Lawson is also under pressure to abolish the earnings rule which limits the amount the elderly can earn without loss

of state pension.

Mr Kinnock said later that

Mrs Thatcher's remarks on the outlook for inflation represented "a triumph of hope over reality." The Chancellor's assertion that inflation would turn down, as it had in 1985, ignored fundamental differentered indeamental differences in the underlying state of the present economy and the Government's reliance on higher interest and mortgage rates was tantamount to "dripping petral on to the fire."

# Official unemployment figure falls below 2m

By Ralph Atkins, Economics Staff

BRITAIN's unemployment count has fallen below 2m for the first time in eight years Department of Employment

Modest tax cuts of perhaps

figures yesterday showed the seasonally adjusted total down by another 49,300 last month to 1.99m - the lowest since February 1981. It was the thirtieth

consecutive monthly fall. Other figures yesterday showed a steadying in the rise in average, but there were signs that manufacturers' labour costs may be increas-ing. Combined with sharp falls in unemployment this, could add to inflationary pressures in

coming months. Today's figures for retail price inflation are widely expected to show the annual inflation rate last month was around 71/2 per cent.

The fall in unemployment to below 2m was welcome news for the Government, which has suffered high unemployment since its election in 1979. The number of jobless reached a peak of more than 3.1m in July

Mr Norman Fowler, Employment Secretary, described yesterday's figures as "a very important milestone." He said: "Over the last 12 months Britain's rate of unemployment

official has fallen faster than that of any other major industrialised "All regions of the country have shared in the fall in

unemployment with the largest talls in unemployment rates in the West Midlands, the North West and Wales."

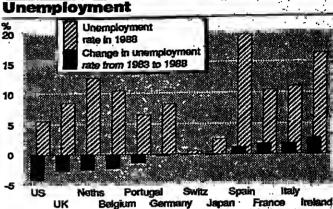
The jobless accounted for 7 r cent of the total workforce

in January, down from 7.2 per cent in December. Recent figures have been helped by unseasonally mild winter weather. In the six months to January, adjusted unemployment fell by an average of 46,500 a month compared with 42,000 in the previous six months. However, the department said its estimate of the underlying trend remained

The unadjusted unemployment total rose 28,000 to 2.07m. The department estimates that unemployment usually rises by

unchanged at around 40,000 a.

78,200 in January. Other figures yesterday showed overtime in manufacturing continuing to rise, reaching 14.81m hours a week in December - the highest since January 1980. There was also a rise of 8,000 in manufacturing employment to 4.99m but the department said the



trend was probably still down-

Vacancies at jobcentres fell by a seasonally adjusted 9,100 to 229,200 in January, suggesting problems of matching jobs to those out of work may have

eased slightly.

Figures for unit labour costs accelerated in December, possibly reflecting a slowdown in manufacturing output growth. In the three months to December wages and salaries per unit of ontput were I per cent higher than the corresponding

lower at 1667.2. Opposition parties treated the unemployment numbers with scepticism. Mr Michael Meacher, Labour's employment

spokesman, said it was "a com-plete lie" to say there were fewer than 2m unemployed. "The Government is counting only the numbers receiving unemployment benefit when their own labour force survey

The FT-SE 100 share index fell after the figures but later recovered some of its losses to close 13.7 down at 2033.8. The

FT Ordinary index ended 10.2

shows that there are still at least 2.6 million people out of and looking for work." Mr Jim Wallace, employment spokesman for the Social and Liberal Democrats, said: "In the early 1980s the Govern-ment conditioned the public

into acceptance of high unemployment. They are now trying to tell us that the problem of unemployment has gone away. This is an insult to the unem The official figures coun

only benefit claimants aged 18 and over. Latest estimates show about 500,000 people are on Government work-related

# Higher budget surplus estimated by Treasury

By Simon Holberton, Economics Staff

upwards its estimate for the tight budget. budget surplus in 1988-89 after Mr Rodger Bo yesterday's announcement that it repaid £6.9bm of public sector

debt in January. Mr Nigel Lawson, the Chancellor of the Exchequer, in his antumn economic statement last November, increased his estimate for the budget surplus from £3bn to £10bn. The Treasury would not dis-

close its new estimate and said this would be revealed in the budget on March 14. London economic analysts expect the surplus, known as the public sector borrowing

requirement surplus, to be between £13bn and £15bn for the financial year. A similar range is expected for 1989-90. This emharrassment of riches is likely to pose prob-lems for Mr Lawson in framing

the medium-term outlook for the budget. In the budget last year he forecast balanced budgets for the years ahead. It now seems likely that he will have to alter his interpretation of the role of

He will also have difficulty with financial markets in squaring the circle of net tax

fiscal policy in the medium

THE TREASURY has revised cuts with the need to deliver a

economist with Greenwell Midland, a securities house, said: "He has got to have a tight budget and that implies a higher surplus next year than the one he has this year." Yesterday's release of figures for the PSBR surplus showed

t in the first 10 months of the financial year it was £15.5bn, including privatisation receipts. This compares with a £6.8bn surplus for the corresponding period in 1987-88.

The FSBR surplus in the first 10 months of the year, excluding the effects of asset sales, was £9.4bn, against £1.7bn for the preceding corre-

sponding period.

Flows of funds across the Government's accounts in February tend to produce neither large deficits nor surpluses. In March, the last month of the Government's financial year, a large deficit is usually

recorded as departments rush to spend allocations. The public purse's healthy al position was brought about hy rapid economic growth, boosting revenues, and by reduced government spend-

especially on social wei-

period a year before. Financial markets greeted

the fall in unemployment with caution, although the stable earnings figures provided some

comfort, Analysts feared fur-

ther falls in unemployment could fuel inflation by worsen-

ing skills shortages and encourage higher wage settle-

Mr Bill Martin, chief UK economist at Phillips & Drew,

said: "It is a very sad fact of life but it is probably too low to keep inflation under con-

there are signs that manufac-turers' labour costs may be

a year. That was unchanged from November and down from peaks of 9.25 per cent during the summer. Actual earnings increased by 10.9 per cent in the 12 months to December.

nurses after the introduction of a new grading structure is excluded, earnings rose by 8.9 per cent — close to estimates of

rising at 8.75 per cent in the manufacturing and service sectors during December. In the same month, the annual inflation rate, measured by the potal wrice index was 5.8 per retail price index, was 6.8 per

However, there were signs that labour costs per unit of output were rising in the manufacturing sector.

Wages and salaries per unit of output in the three months to December were 1 per cent

Earnings steady, labour costs may be accelerating

By Ralph Atkins, Economics Staff

GROWTH in average earnings higher than in the correspondwas steady in December in ing period a year before. That spite of rising inflation, but followed a fall of 0.1 per cent in November.

accelerating.
Department of Employment figures published yesterday show average earnings for the whole economy rising at an underlying rate of 8.75 per cent

Hewever, if back pay to

the underlying rate.
The figures show earnings

However, there were signs

Fears of accelerating inflationary wage pressures might intensify in coming months if earnings continue to rise strongly while the growth in

output slows. Figures published by the Central Statistical Office on Wednesday suggest that output growth in manufacturing may ave decelerated at the end of last year and the Treasury

expects a moderation in growth during 1989. Latest available figures for productivity also indicate a slowdown at the end of last

In the three months to December, output per head in manufacturing was 7.5 per cent higher than in the corresponding period a year before
down from 8.4 per cent in
November and the lowest since

Latest figures for the whole economy show output per head rising at an annual rate of 2.6 per cent in the three months to

That compared with 3.2 per cent in the previous three-month period.

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# British Aerospace plans to cut 2,500 jobs

By Michael Donne, Aerospace Correspondent

BRITISH Aerospace is to shed advanced guided weapous, about 2.500 jobs over the next including the Rapier anti-alrabout 2,500 johs over the next two years at its guided weapons subsidiary, BAe (Dynamics), and to close two of that company's six main sites as part of a big rationalisation.

The cuts, involving a reductiou in the company's work-force from 16,000 to 13,500, follow a review of its activities over recent mouths. This, in turn, has been part of a restructuring at the 130,000-strong BAe group over the past two years or so, aimed at cut-ting costs and improving pro-

ductivity.

It had originally been envisaged that only about 600 workers would have to go, but the review has been more far-reaching than planned BAe (Dynamics) is involved

in the design, research, devel-opment and manufacture of

MOST businesses would like to give more to charities but they

do not know how to go about

it, according to e survey pub-

lished yesterday.

The survey, from Buzzacott & Co, a London firm of chartered accountants specialising

in charities, said many busi-

nesses give to charity and, "the

husiness community accepts its duty to do more for char-

But, the report said, chari-

ties were losing out on that good will because they had failed to market themselves in

a effective way to businesses

and companies willing to make donations or become involved with charities.

The survey said: "Charities

have failed to market themselves in a business like way, showing how they can benefit

craft weapon system, the Swingfire anti-tank weapon, and the Sea Dart and Sea Wolf ship-to-air weapons. It also makes associated equipment, such as gyroscopes.

Under the rationalisation the gnided weapons plant at Hat-field, north of London, and the equipment manufacturing facility at Bracknell, west of the capital, will be closed. Most of the company's guided weapons manufacturing

will be transferred to Lostock, uear Bolton in Lancashire, north-west England leaving south as the main research, engineering development and design areas. The guided weap-ons team at Hatfield will be absorbed into Stevenage. The small factory at Plym-

Charities 'need better marketing'

business in terms of enhanced

public image or work force

The survey carried out on

large, medium, and small busi-nesses and financial institu-

tions said: "It is up to charities

to communicate the corporate benefits that husinesses can

derive through helping char-

The report said there was a

general lack of awareness both

among charities and busi-nesses about the size of the

charity sector, and the events

cessions available to them

other financial arrangements where both sides could benefit

outh, on the south coast will be expanded to accommodate the enlarged equipment management, engineering, production and supporting activities, absorbing the activities trans-ferred from Bracknell

BAe said it would consult with employees about the changes, offering workers jobs at other sites, with relocation and retraining support, to ensure that "no individual need be compulsorily out of

However, the moves were condemned by Mr Chris Darke, national officer of the Manufacturing, Science and Finance Union, as "an outrage", which he described as "stripping the beart out of the dynamics busi-

efficiency of volunteers, how-ever dedicated, on the one

hand, and disquiet about the

danger of creeping commerci-

the survey.

Mr R.H. Evans, chairman of BAe (Dynamics), said the mea-sures were "designed solely to

protect our Dynamics business over the next decade and We have established an excellent position in the market, from which we will be

introducing a range of new programmes, including many secured by multinational agreements.
"To take full advantage of

this market will require us to improve utilisation and efficiency, to ensure our competitiveness in the years to come.

Mr N.V. Barber, managing directors of BAs (Dynamics) director of BAe (Dynamics), said that the review had shown that while the company's heavy investments had left it well placed to exploit the guided weapons and equipcompete successfully and

further action to improve efficiency and reduce its cost base.
"We currently have a wasteful duplication of facilities and resources which, when consolidated and rationalised, will improve utilisation and efficiency and achieve the cost reductions necessary for us to

Lynton McLain adds: Man-agement appointed by BAe has already started to rationalise production at Royal Ordnance, the former state-owned arms and munitions manufacturer it bought from the Government in 1987 for £190m.

Plans announced by RO in October affected a sixth of the total workforce of about 14,000. When the plans are imple mented hy early 1991, the workforce will have been cut

# by 6.5% in January

rose by 6.47 per cent in January compared with a year ago, according to provisional figures from the Department of

from 104,430 a year ago.
Production for export was up
by nearly one third at 23,378,

CAR PRODUCTION in the UK by Ford UK and Vauxball, the rose by 6.47 per cent in Janu- General Motors subsidiary, to

Commercial vehicle output also rose in January, by 19.24 per cent to 27,537 compared with 23,092 in the same month Output for the UK market was only 1.34 per cent higher at 87,816 (36,630).

Hopes for higher output for the whole of this year are based mainly on commitments

per cent to 27,537 compared with 23,092 in the same month a year ago. Output for export was up 20. 86 per cent at 6,998, from 5,790, and that for the UK market by 18.7 per cent to 20,539 (17,302).

# Car production rises

alisation on the other," said The main recommendations of the survey are:

Charities should develop their marketing policies to demonstrate how husinesses can benefit by helping them; Charities and businesses

on available tax incentives to encourage husiness support; In addition, both groups 

Charities find a champion were unaware of the tax conwithin a company to generate within a company to generate corporate activity within their

ask their advisers for guidance

through legislation, and of favour. Charities and Businesses, A there both sides could benefit Partnership of Interest? Buzza-ach other. Co. 4 Wood Street, Lon-don EC2V 7JB. £12.50.

# secure new business it is essential for the company to take the company to 13,000.

cars were built in January, up

source substantially more of their UK sales from British plants this year, the hoped for Trade and Industry.

The statistics offer the industry cautious hope that this year it may exceed its 1988 performance, the best for 11 years.

The figures show that 111,194

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# **Emirates**

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# wages war on Underground criminals

By Rachel Johnson

MEASURES announced this week to combat crime on the London Underground train system follow attacks on passengers by "steaming" gangs on both the Tube and British Rail, and the highly publicised arrival of New York's vigilante

Guardian Angels. Mr Michael Portillo, Transport Minister, said on Wednes-day night that, as part of a package of measures with £15m of government assistance, a new anti-crime squad had been recruited by London

Underground.
Twenty-eight staff had been taken on for duties at 13 stations where crime levels were

lit had already heen announced there will be more Transport Police patrolling the Transport Police pairoiling the Underground and 82 officers from London's forces are now carrying out duties while the division is brought up to a strength of 400.

The Guardian Angels claim to have acted as a catalyst for the new measures, but to the Transport Police they are a source of considerable aumoy-

source of considerable annoy-

ance.

"They're good at getting publicity and not much else," said Superintendeut David Gotts of the Transport Police's headquarters in St James's.

The public might be forgiven for thinking that the Angels had taken over the Tube. In fact, there are only four of them on the trains, wearing red berets and "We Dare to Care" T-shirts. Their plans to recruit London volunplans to recruit London volun-teers have run into problems of money and of finding train-

ing centres.

The Angels were on the point of returning home last week when Mr Michael Winner, the film director, provided 21,000 aid. Mr Winner thinks £1,000 aid. Mr. Winner thinks the Angels have been unfairly treated, but even he might envy their knack for publicity which has provided a focus for fears about Tube crime. A national opinion poll, car-ried out last week for the Lon-idon's Freening Standard news-

ried out last week for the London's Evening Standard newspaper, showed that more than half the women questioned said they were frightened of travelling on the Tube. Of the women who said they were frightened, 73 per cent approved of the Angels. Two-thirds of travellers surveyed wanted the Angels to patrol.

In contrast, the police say, that a chapter of Angels in London with only have one effect on crime in the Underground to publicise it. They effect on crime in the Under-ground — to publicise it. They, say the presence of the Angels results in a misleading public perception that the Under-

ground is as dangerous as the New York subway.

The police point out that in 1988 the total crime rate on the Underground fell by 5 per cent, while the number of passengers rose by 29m. However, the drop in overall crime results from a big reduction in the number of pickpocketings reported, and conceals the fact that violent crime has risen.

The number of sexual offences rose by 41 per cent from 312 in 1987 to 441 in 1988. Muggings increased by

1988. Muggings increased by 27 per cent, from 883 to 1,225.

These figures are not the reason for the new package of measures to combat crime, the police maintain. Mr Denis Tunnicliffe, managing director of the London Underground, says the increase in police was in response to "public fears about physical safety."

The measures include a new

£1.5m communications uet-work which is linked to the L" Division Information Room in Westminster, the most modern police control room in Britain.

"We have revolutionised what was up till now a Victorian security system," said Supt Gotts. "It's the beginning of Big Brother," he said. "It marks the psychological return of the Underground to

# London Tube | Fears of sectarian violence in Ulster rise after shooting

By Our Belfast Correspondent

FEARS of a renewed campaign of sectarian violence in Northern Ireland grew last night after five people were shot in a Loyalist social club in the staunchly Protestant Shankill

staunchly Protestant Shankhi Road area of Belfast.

The shooting is believed to have been carried out in direct retaliation for the recent mur-ders of four Roman Catholics, including Mr John Davey, a councillor for Sinn Fein, the political wing of the IRA, and Mr Patrick Finucane, a leading Cetholic sollcitor.

Catholic solicitor.

Mr Tom King, Northern
Ireland Secretary, has already
held talks with Sir John Hermon, Chief Constable of the
Royal Ulster Constabulary, to discuss the upsurge in vio-

The Government is concerned at the increasing level of sectarian violence. Random attacks on clubs and pubs, identified with a particular religion, were a feature of the

rengion, were a reathre or the early part of the 1970s, but had been relatively isolated incidents in recent years.

Mr King has already appealed for calm and called on the community to help the RUC in tracking down the

murder gangs.
Three men and two women were shot in yesterday's attack which occurred a short dis-tance from the peace line which separates the nationalist Falls Road area from the Shankill district.

Unionist and Nationalist politicians immediately con-demned the shootings and appealed for no retaliation.

Mr Cecil Walker, Official Unionist MP for North Beliast, said: "I interly condemn the foul sectarian attack on inno-cent members of the public while enjoying their relax-ation. The psychopathic killers who cut them down are intent on creating havoc and pande-monium in a community which has suffered more than most from the results of terror-

ist activity." Mr Gerry Adams, Sinn Fein president, said the attack played into the hands of elements in the Loyalist commu-nity intent on fomenting sectarian strife and called on the

shootings to stop. Mr John Lowry of the Workers Party said the shooting was the work of "vicious sectarian psychopaths who were intent on plunging the community into murderous chaos." He added: "They are degenerates who are determined to see this society sunk in a bloody cycle of random sectarian atroci-

No organisation has claimed responsibility, but detectives are working on the theory that it may have been the work of s hard-line Republican splinter response determined to avenge group, determined to avenge the recent murders of Catho-lics.

# EC seeks to define priority aid areas

By Hazel Duffy

MR BRUCE MILLAN. European Commissioner on shire and West Yorkshire, regional policy, will meet ministers in London today in a hid to persuade the 'UK Government to determine high priority areas which would be eligible to apply to Brussels for regional aid.

Mr Millan is visiting the capitals of EC comprise with areas

itals of EC countries with areas of industrial decline. The new regulations of the European Regional Development Fund (ERDF) permit such areas, once their eligibility has been determined by Brussels, to apply for financial assistance. Brossels' spending under this regulation is allowed to

affect only 15 per cent of the EC's population. But interna-tional applications for eligible areas have exceeded this. The Commission hopes to areas by the end of this month. It has already defined the eligi-

They include Nottinghamwhich do not come within the Government's designation of areas for UK regional assistance. Now the Commission wants the Government trim the list by identifying the areas within the regious which

should qualify for help. Mr Millan will meet Mr Tony Newton, Trade and Indostry Minister, Mr Ian Lang, Scottish Industry Minister, and Mr Peter Walker, Welsh Secretary. He will emphasise the importance that the UK match the ERDF finance, and that it is therefore sensible for the Gov-erment to identify areas it is willing to support.

> The lion's share of the ERDF will go to the regions of the EC classified as under-developed. They include the whole of Ireland, Portugal, Greece and

# **Decision on London Life** merger set for next week

By Raymond Hughes, Law Courts Correspondent

LONDON LIFE, Britain's court to put their objections in oldest mutual insurer, will learn on Tuesday whether it has High Court approval for its plan to merge with Australian Mutual Provident Society.

My Institute Heffmann version

Mr Justice Hoffmann yester day reserved judgment on the company's application for the scheme to be sanctioned by the

court.

During the four-day hearing he had heard the scheme defended by London Life and criticised by some of the com-pany's dissident policyholders - whose objections were described by AMP's counsel yesterday as "chauvinistic." Mr Philip Heslop, barrister for London Life, told the judge that its board remained satis-

that its board remamed satisfied that the merger was in the best interests of the policyholders as a whole.

Just 13 of 120,000 policyholders had asked for their written views to be put before the court and five had come to

meeting in favour of a resolu-tion which had been seen as a referendum on the merger.

Mr Heslop said that whether it was desirable to merge, and if was desirable to merge, and if so with whom, was a man-agement decision for the Lon-don Life board, and the court should not review that decision in the absence of evidence of bad faith or obvious unreasonableness. There was no such evidence, he said.

Mr Christopher Whitmey, a dissident policyholders, had suggested that the scheme should be amended so that policyholder icyholders could opt out and transfer to Equitable Life

Assurance Society.

Mr Heslop said this was commercially impracticable and would be unfair to London Life policyholders as a whole

# Study into concentration of ownership confirmed

# Fair trade office probes media

By Nikki Talt and Charles Hodgson

THE OFFICE of Fair Trading, trol on the distribution side. It the British watchdog on strongly denied, however, that mouopoly and consumer issues, yesterday confirmed that it is conducting a "wideranging" review of the UK media market, which will look at any concentrations of consumer of consumer constructions of consumer con at any concentrations of own-OFT said that the

review started about a year ago, and was still at an early stage. It declined to comment on when it might arrive at any conclusions. If the review does throw up serious worries about media concentration, it would be possible for Sir Gordon Borrie, director-general of the OFT, to ask the Monopolies and Mergers Commission to conduct a full investigation.

The OFT said yesterday that

the review would take into account recent changes in media ownership, cross-media interests, and also look at con-

the review would concentrate on any particular media groups - although it did accept that Mr Rupert Mur-doch's News International, by virtue of its span of interests, could be expected to feature. fairly significantly.

News of the review follows recent assurances from government ministers, including Mr Douglas Hurd, the Home Secre-tary, that steps would be taken to ensure that there would be no excessive concentrations of ownership in the planned expansion of broadcasting in the 1990s.

The OFT review was warmly welcomed by the opposition Labour Party, Mr Bryan Gould, Labour's trade and industry spokesman, said the move reflected belated recognition that concentration of owner-

ship "poses a real threat to freedom of expression in this country.

He claimed that the investi-gation was clearly aimed at News International, which owns the Sun, The Times, the News of the World, Today and the Sunday Times newspapers and the Sky Channel satellite television service which was launched on February 5 launched on February 5.

launched on February 5.

Mr Gould recently wrote to
Lord Young, the Trade and
Industry secretary, urging a
Monopolies and Mergers Commission investigation into the
expansion of News International into satellite television.
Lord Young realied that he

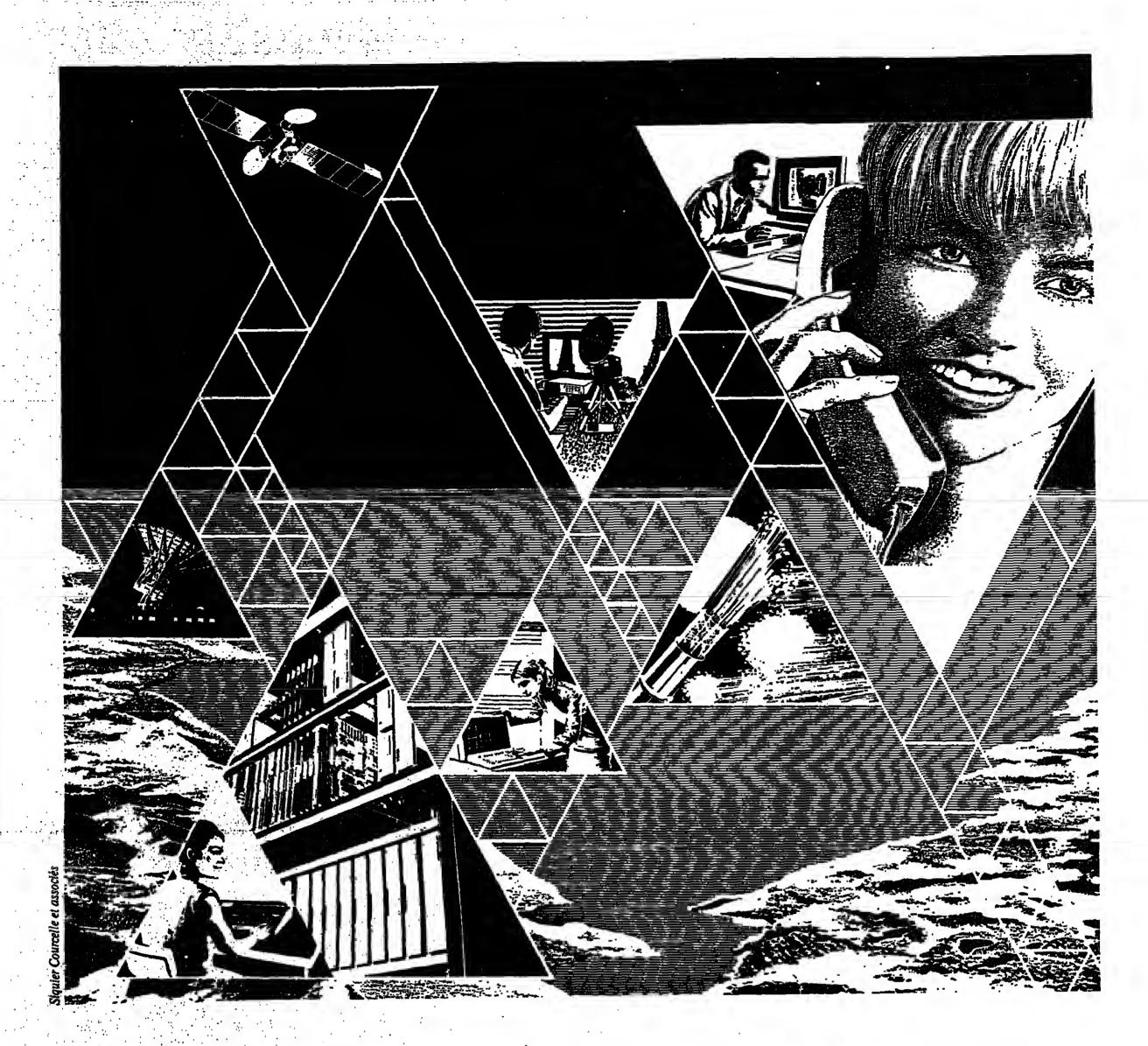
Lord Young replied that he would pass Mr Gould's letter on to Sir Gordon Borrie, director general of the OFT. Yesterday, however, the OFT denied that the review had been stepped up in direct response to the Sky launch.



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### CONTRACTS

# for power stations

SULZER (UK) PUMPS, Leeds, has been awarded a contract to design the boiler feed pumps for two of the three new coalfired power stations now being

planned by the CEGB. The company says that when completed these will be the largest such pump installations in the world and could be worth over £12m.

The design contracts. awarded by GEC Turbine Generators, are for pumps for Kingsworth B, Kent, and West Burtoo B, Nottinghamsoire, power stations. These will each consist of two 900 MW generating sets, each supported by three feed-pump sets, two running and one standby, totalling

12 pump sets. Each pump will be driven by a GEC 14 MW electric motor at 5800 rpm. If the design contract leads to manufacture and load testing, this will be undertaken at Sulzer's Leeds factory. which has a 15 MW test bed.

# **Improving** shopping in **Basingstoke**

MOWLEM MANAGEMENT has been appointed by the Pruden-tial Portfolio Managers to carry out major interior and exterior refurbishment of the Basingstoke Shopping Centre on behalf of its owners Prudential

Assurance.
The £15.8m contract involves partially re-cladding the structure, roofing-in most walkways and the formation of a 2,100 sq metre food court. Demolition and remodelling will transform shops and offices into a department store adjaceot to the food court. The food court will be fully air-conditioned with seven kiosks and central seating for some 380 people.

The interior walkways will be paved with terrazzo tiles while the open areas will be finished with ugraded paving stones interspersed by brick bands. Other works include the provision of management offices and the creation of a

toddlers play group.

The shopping centre will remain open throughoot the project. The contract started in January and has a phased com-

# Feed pumps Training airline pilots

Four UK airlines - British Airways, Britannia Airways, Air Europe and British Mid-land - have awarded contracts to CSE AVIATION for training pilots at the Oxford Air Training School. Total value of the contracts is over £23m.

Some 387 pilots will be trained over three years, and will include both learners and experienced pilots.

To cater for the specialised training required, the company bas ordered two American LOFT jet simulators, the first of which will arrive in October. Although based on a Boeing 737 - 300 with state-of-the-art electronic flight instruments, the simulators are stated to be sufficiently flexible to train crews on other types of jet air-

## Services at shopping centre

Contracts worth over £17m have been won by DRAKE & SCULL ENGINEERING, part of the Simon Group.

The largest, worth over 19m, is for the design and installation of all the mechanical and electrical services in the Meadowhall Centre Shopping City, being built at Sheffield. This will bave 1.25m sq ft retail

space, a hotel, waterpark, lei-sure centre, cinema, restanrants, and parking for over

11,000 cars.
At Birmingham City Council's international convention centre the company is install-ing mechanical services worth over £5.5m, and the plumbing department has a £600,000 order for cast iron drainage

# **BP** Energy combined heat and power unit

BP ENERGY has signed a contract with National-Stan-dard Company, Kidderminster, for the first industrial combined heat and power plant to be designed, installed, man-aged and operated by a con-tract energy management com-

The proposed plant - which is being progressed through formal planning approval - will produce 4.2 MW of electrical wer and use the waste heat to produce steam for the fac-

tory process.
Worth some £11m, it will be operated as a private utility by BP Energy, and, it is claimed, will cut National-Standards current costs by a substantial

IN BRIEF ...

# Modernising fume treatment

in Wales and FLAKT - in co-operation with Flakt division for the aluminium industry. Norway - have signed a contract for modernisation of fume treatment and fluoride recovery systems. The order is worth about £10m, and installation will be completed by 1991. The Penrhos works was built in 1971, and has to be upgraded to meet EC regulations on emissions planned to be in force from 1992.

The first order for HONE-YWELL BULL'S DPS 9000 computer range has been placed by the Eastern Electricity Board. Under a £10.5m contract a range of equipment, including the large mainframe computer, will be installed at EEB's headquarters in Ipswich in Novem-

\* SLP ENGINEERING, a subsidiary of George Wimpey, has been awarded a contract by Shell UK Exploration and Production for the removal and replacement of accommodation on two southern North Sea gas production platforms, and the refurbishment and extension of accommodation on two other platforms. The contract, worth £10m, will be completed in the spring of next year.

\* Power transmission contracts valued at nearly £5m have been won by the transmission and special projects division of EVE GROUP. They include 400kV refurbishment projects for CEGB and 122kV work for the South Wales, East Midlands and Yorkshire Elec-tricity Boards. A 400kV/132kV project to deviate power lines to permit desulphurisation plant to be installed at the Drax coal-fired power station in Yorkshire is also being undertaken for CEGB. The contracts total includes projects commissioned by STC and North of Scotland Hydro-Electric Board, together with sup-ply-only work in Oman and

\* SOFTWARE SCIENCES has won the ADCIS Stage 1 support contract from the Ministry of Defence. Potential value of the contract is over £3m and will involve support to MOD through the five years or more years of the procurement. It includes an average of ten man years consultancy per year for the five year period, with an option to extend.

\* RACAL COMMUNICATIONS has won a contract worth over film for the supply of HF com-munication receivers to the French Ministry of Defence. They will be supplied over the next three years for use by the French Navy in point-to-point

\* WEIR WESTGARTH has been awarded a \$3m order to supply a thermo-compression distiller plant to a new factory being built in Indonesia to make carbon black, used in making car tyres. The plant will remove salt from seawater to provide 132,000 gallons of fresh water a day.

\* REDIER WALKER is carry ing out a £2m contract to make bulk handling equipment for British Coal. It comprises an automatic stockpiling and reclaiming system being installed at Daw Mill, near Coventry.

\* DDT MAINTENANCE has a three-year contract with Argos potentially worth £1.8m to cover maintenance of all elec-tronic point-of-sale systems at Argos shops throughout the UK.

# No confidentiality rule for medicine licence

FT LAW REPORTS

REGINA V THE LICENSING. AUTHORITY, EX PARTE SMITH KLINE AND FRENCH

LABORATORIES LTD House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Ackner, Lord Oliver of Ayimerton and Lord Lowry): February 9 1969

THE MEDICINAL products licensing authority has a right to use information supplied to it by a previous applicant for a product licence, when considering licence, when considering whether to license essentially similar products made by other manufacturers, having regard to their safety, efficacy and quality.

The House of Lords so held when dismissing an appeal by Smith Kline and French Laboratories Ltd. from a Court of Appeal decision that the licen-sing authority was entitled to use information supplied by Smith Kline when considering product licence applications by Generics (UK) Ltd and Harris Pharmaceuticals Ltd. intervenors in the proceedings.

LORD TEMPLEMAN said that Smith Kline was granted a UK patent for the medicinal com-

patent for the medicinal compound, cimetidine, for 16 years expiring March 9 1983.
Cimetidine was a valuable drug which healed duodenal and gastric ulcers and other gastro-intestinal disorders. It was first marketed in the UK as Tagamet.
On January 26 1965 the Council of the European Community promulgated a directive. This directive instructed that no proprietary medicinal product might be placed on the market in a member state without authorisation by the competent authorisation consisted of a product licence,

In the UK the authorisation consisted of a product licence, which was granted by the licensing authority under the Medicines Act 1968 after considering the safety, efficacy and quality of the medicinal product.

Article 4 of the 1965 directive.

required an application for a product licence to be accompanied by certain specified particulars including, by paragraph 8, results of pharmacological and toxicological tests and clinical triels.

trials.

By peragraph 8(a), in the case of an application for a new product "ideotical" with a known product with an established use, or in the case of a new product consisting of known constituents used in "comparable proportions" in products with an established use, the applicant was not compelled to carry out tests and compelled to carry out tests and

It was for the licensing author-

ity to determine whether two products were or were not "iden-tical" or "comparable" for the

purposes of paragraph 8.
Some member states were more willing than others, on a second application, to dispense with tests and trials by accepting published literature which other ember states found to be inade-

In 1986 the Council amended the directive by replacing para-graph 8 so that an applicant was not required to provide the results of tests and trials if his results of tests and trials it his product was essentially similar to a product which had been authorised for six years, or for 10 years in the case of high-technology products. The UK extended the 10-year period to all medicinal products marketed in its ter-

ritory.
Thus by the amended para-Thus by the amended paragraph 2 as applied in the UK, where two products were "essentially similar" and the first applicant had been in possession of a product licence for 10 years or more, the second applicant need not carry out and supply the results of pharmacological and toxological tests and clinical friels.

By the Patents Act 1977 the term of a patent was increased from 16 to 20 years, but a patent granted after June 1 1967 was subject to licence of right provisions whereby any person might exploit the patent on terms to be aettled by the comptroller in default of agreement between the proprietor and the licensee.

Smith Kline's patents relating to cimetidine became subject to the exercise of licences of right powers between March 10 1968 and March 9 1992.

Generics (UK) applied to the . By the Patents Act 1977 the

and March 9 1992.
Generics (UK) applied to the Comptroller General of Patents to settle the terms of a licence of right as from March 9 1988, to make, import and sell dimetidine compound. The terms were settled by the Comptroller and included payment of a royalty to Smith Kilms.

Generics amplied to the license

Generics applied to the licen-sing authority for e product licence in respect of cimetidine. The application was not supported by the results of test and

There was "essential similar-ity" between Tagamet and Gener-ics' brand, because both products would contained cimetidine as the sole active ingredient, A com-parison between the information supplied by Smith Kline and that supplied by Generics would demonstrate whether the two brands were similarly safe, effective and of good quality. Harris Pharmacenticals applied

to the comptroller to settle the terms of a licence of right for

cimetidine, and they were settled on terms identical with those for Generics. Harris applied to the licensing authority for a product licence in respect of cimetidine. That application was not supported by the results of tests and trials.

Smith Kline instituted judicial review proceedings against the

Smith Kline instituted judicial review proceedings against the licensing authority claiming a number of declarations prohibiting the licensing authority from making use of any of the information contained at its license application without its consent.

Mr. Instice Henry made a declaration

mation contained at its license application without its consent.

Mr Justice Heary made a declaration that in considering an application for a product fixence for cimetidine the licensing authority might not use or refer or have recourse to any confidential information supplied to it by Smith Kline, except with Smith Kline's express consent.

The Court of Appeal set aside Mr Justice Henry's order. Smith Kline now appealed.

Smith Kline submitted that its information file with the licensing authority should be sealed up and that no person concerned with the grant of the Smith Kline licence should deal with an application by Generics, Harris or anyone else, in case he should recollect or be unconsciously influenced by what he had learned from the Smith Kline application.

learned from the Smith Mare application.

The question was whether English law prohibited the icensing authority from having recourse to the confidential information provided by Smith Kline on their application, for the purpose of considering whether, to reject an application by Generics or Harris.

or Harris.

The principal task of the licensing authority was to protect the public. But in performing its functions it must treat all applicants fairly and equally. The standard it required from the first applicant must be required of the second and subsequent applicants. or Harris.

applicants.

If the information disclosed by a first applicant when compared with the information disclosed by the second led the licensing authority to conclude that the authority to conclude that the second application ought to be allowed it must act accordingly. Conversely, if the information supplied by the second applicant cast doubt on some aspect of the product of the first applicant, the licensing authority must consider whether to exercise its power to revoke the first applicant's licence.

It was for the licencians are the second applicant whether to exercise its power to revoke the first applicant's licence.

cant's licence.

It was for the licensing authority, comparing the information received from the first and second applicants, and taking into account all other available information, confidential or not, to

decide whether an application should be decline or granted. It was essential for the licenang authority to compare the applications in order to satisfy itself that both products were similar, safe, effective and reli-

The licensing authority could not discharge its duty to safe-guard the health of the nation and its duty to act fairly and equally between applicants without having recourse to all available information, confidential or

It was the right and duty of the licensing authority to make use of all information supplied by any applicant for a product licence which assisted it in considering whether to grant or reject my other application.

The use of such information should not harm Smith Kline. Even if it were to do so, that was the price it must pay for co-operating in the regime designed by Parliament for the protection of the public, and for the protection of Smith Kline and other manufacturers, from dangers inherent in the introduction and reproduction of modern drugs. tion of modern drugs.

If Smith Kline chose to apply for a product licence under the 1968 Act it chose to provide infor-1968 Act it chose to provide information to the licensing authority for the purposes of the Act. It was not unconscionable for the licensing authority to make use of that information in the public interest for the purposes of the Act, although it would be unconscionable for it to disclose that information to third parties for other purposes.

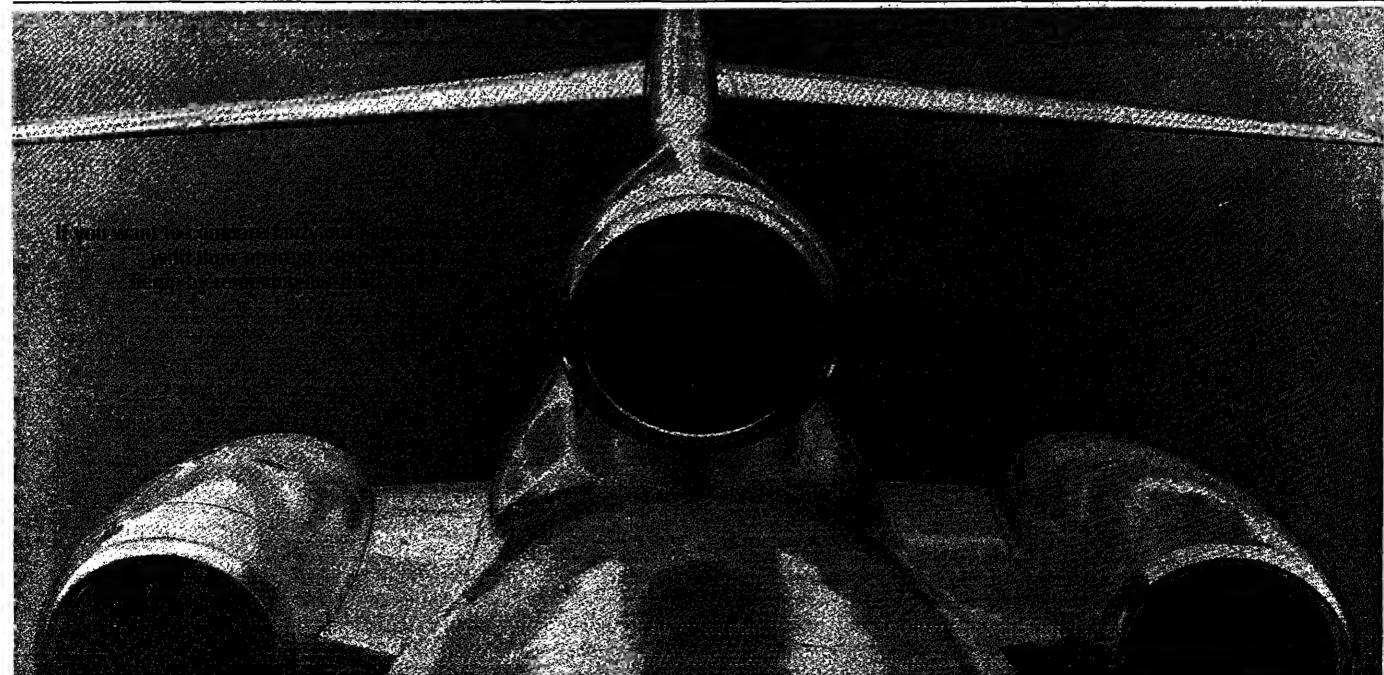
other purposes. Accordingly, there was no principle of confidentiality in English law which prevented the licensing authority from making use of the information supplied by Smith King for any of the purposes for which the authority was established.

The appeal was dismissed. Lord Bridge, Lord Ackner, Lord Oliver and Lord Lowry

For Smith Kline: Jeremy Lever

For Smith Kline: Jeremy Lever QC and Derrick Turriff (Simmons & Simmons) For the licensing authority: Andrew Collings QC and Belen Rogers (Treasury Solicitor) For Generies as intervenor: Jonathan Sumption QC and Thomas Sharpe (S.J. Berwin & Co) For Harris Pharmaceuticals as interneur Henry Carr (Raiter intervenor: Henry Carr (Roiter Zucker)

Rachel Davies



# The three-engine Falcon 50 and 900. Executive jets as safe as airliners.

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To understand the essential role, vital in the power factor, especially when flying over inhospitable

zones, just

keep in mind the importance of the on-board electronics of a long-range aircraft.

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the Falcon 50

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Corporate alliances

# Beware the iron fist in the velvet glove

Christopher Lorenz points out the danger of one partner acquiring skills or intelligence at the expense of the other

n the fast-moving competitive world of the 1905, staying ahead will no longer he mainly a mat-ter of the way you run your existing company, but how quickly you can change its shape to cope with shifting threats and opportunities. Few companies will be able to do this without "etrategic partnering", whether their alliances are permanent or, as in most cases so far, only temporary.
Such maxims have become increas-

ingly popular among business academics, management consultants, business academics — and their clients - over the past couple of years. as more and more companies have rushed into international alliances. In the past few months the spate has reached a new level, especially in Europe. Hardly a week has gone by without the announcement of at least one further alliance between major multinational companies. Many of the new partnerships (actual or proposed) are in electronics and electrical engineering — which has hogged most of the headlines this year thanks to the pulling power of names such as GE. GEC and Siemens — but there have also been plenty in cars, software, food, packaging, property or financial

services. What many enthusiastic new alliance partners have yet to realise, warns David Connell, a management consultant who has just made an intensive study of strategic partnering, is that it is no easy matter to deliver real commercial or strategic benefits from situations in which control is split between two or warns of trol is split between two or more of

Not only can the objectives and pri-orities of the various sides change over time, he points out, but the easiest partnerships to negotiate are sometimes those with the most sig-nificant "bidden agendas" — where one partner is using the alliance at the expense of the other to acquire a major new competence for its core

Connell, who works for the consultancy division of Deloitte Haskins & Sells, the international accountancy firm, draws these conclusions from an 18-month study of 20 cross-border partnerships between 45 companies in the United States, Europe and Japan. The study, which was completed before the current spate of deals in electronics and electrical engineering, will be published as a book in a few months' time".

Connect's research into the challenges of collaboration has several considerable virtues, although it was less indepth than a five-year study of its altiances carried out by a term of three leading international academics (see "Executing Barriers", this page, January 9).

(see "Enscring Barriers", this page, January 9).

First, Commell pulls no nunches about the pitfalls of alliances, especially the sort which merge parts of otherwise competing companies — as, for instance, in the case of some of the deals planned by Britain's GEC with GE of America and Siemens of West Germany.

Second, it distinguishes between different types of collaboration rather

Partial mergers "are a reflection of an inability by top management to come to term with changes ... A straight disposal may actually be the more sensible approach"

more clearly than much past research (though still not clearly enough), and auggests which varieties should be used in which circumstances. And third it offers a lot of practical advice about how to structure the various types, right down to detailed questions of taxation, corporate identity, sales force integration, distribution

While admitting that joint ventures are far from a new phenomenon. Connell emphasises that today's spate of strategic partnerships is much more for reaching than most alliances in the past These were merely "tactical" in that they enabled a company to achieve its sales objectives for individ-ual, and generally minor, export mar-

Strategic alliances, by contrast, affect a company's overall competi-tiveness, says Connell — in technology, cost and/or marketing terms. And the way they are managed can affect the long-term trajectory of the

whole parent company.

The Deloities sindy does not cover licensing deals, which a few companies classify grandly as "joint wantures". But it does include another type of arrangement which most

would not really consider to be fully-fledged collaboration: what it calls "vertical supply alliances", more familiarly known as "OEM relation-

Under such deals one company sup-Under such deals one company supplies another with key components or sub-assemblies; examples include Matsushita/JVC's various arrangements with US and European companies to supply video recorders (either complete machines or their key components). Connell's "vertical supply" category also includes sub-contracted research and development, and alliances between manufacturers and nces between manufacturers and their distributors.

His other groupings are the creation of equity joint ventures to build new businesses (such as British Telecom and Dupont's opto-electronics venture); collaborative research and development (eg the Siemens-Philips "Mega Project" in semiconductors, and the Honda-Rover partnership in cars); the taking of investments in business partners (eg General Motors' stake in Isuzu of Japan, or Northern Telecom's in Britain's STC); and investment by large companies in innovative small ones (eg Monsanto's stake in Genentech's biotechnology

Like any classification, Connell's "typology" of alliances is problemati-cal in at least two senses: it inevitably fails to take full account of those which span several of its categories, as do several ventures which GE of America has around the world, for instance; and for the sake of brevity it combines under broad composite headings arrangements which should really be classified separately, such as joint ventures where ownership is ahared equally versus those where one partner has clear majority con-

Nowhere is this more evident than in Connell's category of "partial mergers", involving only a portion of the parent companies' businesses. He includes 50-50 joint ventures (such as those between SGS and Thomson in semiconductors, and between GEC and Plessey in telecommunications), as well as ventures where one side predominates from the start, as with Whirlpool's 53 per cent stake in Philips' appliance business and the "merger", under majority Dutch con-trol, of Leyland trucks and an offshoot of Daf.

He also includes arrangements where parity of control is intended from the start to be temporary: a topi-

Ingram Pinn

cal case he discusses is the Franco-American computer alliance between Bull and Honeywell (with NEC of Japan as a smaller partner), where Bull has just purchased more than half Honeywell's original 42.5 per cent

stake.

Most of the joint venture arrangements which GEC is planning with GE, and its deal with Siemens in telecommunications, would also fall into the same "partial merger" category, although their purpose, structure and modus operandi are likely to vary considerably.

In spite of these drawbacks in Con-nell's study, ha has valuable advice for partial merger partners — both actual and potential.

First, he offers some general words of warning. As long as joint owner-ship continues, there will always be two or more separate major interest groups at board level which, in many cases, are in head on competition in other parts of their business. And immense integration problems have to be dealt with if the partnership is to be auccessful.

Discussing partners' various possible motivations - which colonr heavily the management of the rela-tionship once it is created - Connell says that "partial mergers are used when both parties wish to improve their competitive position, but neither is prepared to divest completely (its) operations."

The reason for this may be a purely positive wish to achieve economies of scale. Alternatively, one partner may want to withdraw from the industry, but may face barriers — political or commercial — which would make this difficult to achieve in one move, especially if the company is a government-supported "national champion" Third, a partial merger may provide "the only practical way of restructur-ing an overcrowded sector, eventually

allowing the new business to be fully acquired by one of the parents or a third party ... "

Fourth, there may be tax reasons why a disposal is difficult, for instance in the case of overseas subsidiaries of German companies. And fifth, partial mergers can provide a means of changing corporate direc-tion gradually, releasing funds for major acquisitions in new areas before the final disposal is completed.

These are the logical reasons for partial mergers, Connell reports, But many of them "are really a reflection of an inability by top management to come to terms with changes which are forcing a new strategic direction for the company. A circleht disfor the company... A straight dis-posal might actually be the more sensible approach; a partial merger pro-vides time for the emotional adjustment.

"In practice few partial mergers continue in operation with shared ownership for any significant time," says Connell. "Their usual role is to provide a vehicle for divestment by one of the partners, although neither

party may envisage this when the merger is negotiated."

Most partial mergers can only be successful, he continues, if there is integration between each element in the martiner. the partners' previously separate value chains — from research and development and purchasing right through to distribution and after sales service. Above all, Connell concludes, the parents must find a way of handling their involvement which gives maximum autonomy to the new management while safeguarding their own interests. As with any form of parenting, "giving up control is per-haps the most difficult decision." \* Summary paper available from Jeremy Nagley, Deloitte Haskins & Sells, PO Box 207, 128 Queen Victoria

Street, London EC4P 4IX.

Why companies sack the best

By Michael Skapinker

hen a company decides to get rid of some of its managers, what sort of people are likely to get the boot? The poor performers? Those who seem unable to cope with change? No, says Mike Smith of the University of Manchester Institute of Science and Technology. Managers who are made rednadant tend to be more intelligent, independent, self-confident and resiliant than the average manager. They are also less likely to shy away from new or difficult situa-tions. When lay-offs are made, Smith says, companies tend to get rid of their most talented

people. His conclusions are based on a study of 208 of the managers who passed through the Man-chester office of Cootts Career Consultants over tha past seven years. The majority had been made redundant or were changing jobs. Almost all were men. They ranged in age from 28 to 59, with an average age of

The managers underwent psychological tests to help them decide what jobs would suit them best and to identify areas where they could develop their talents.

The results revealed that the typical redundant manager is highly intelligent, Smith says. "His IQ is about 129 which puts him in the top 3 per cent of the population. Comparative fig-ures for a totally representative sample of British managers are not available. However. data for a sample of 603 managers attending courses at Henley Management College gives an average IQ of 123 and it is probable that the Henley sample is rather above average for managers.

In addition, the personality tests taken by the redundant managers revealed a "high score on venturesomeness. The average manager in this sam-ple was more venturesome than three out of four people. This means that he would not shy away from difficult situations, and even in a hostile meeting they would remain sociable, communicative and fluent.'

The managers in the sample were also calm, self-confident and relaxed. "Occupationally, this means that they had stamina and resilience. They were able to rise to difficult situations; in an emergency, they were unlikely to over-react or become disorganised.

The redundant managers were also "more independent than 76 per cent of the popula-tion. In particular, they were assertive and imaginative. In a work setting, their assertive-ness means that they would be prepared to take responsibility and push proposals through.

The score for the Coutts managers on independence was higher than that of the Henley managers, who were more independent than 61 per cent of the population.

"The Courts sample were almost as imaginative as they were assertive. Their score puts them in the top 25 per cent of the population compared with the 58th percentile for Henley managers," Smith

Why, then, do companies get rid of these talented, capable managers? Smith provides two possible answers.

The first is that when companies offer their staff volun-tary redundancy, the most able managers are the first to leave because they are more confi-dent of finding work else-

The second is what Smith calls the "oyster explanation." In any organisation there are individuals who act as benign more venturesome and more independent than others. They can act as a focus of organisational creativity in the way that a piece of grit acts as a focus for the creation of a pearl

in an oyster.
"It may be that in times of difficulty the organisation takes a subconscious decision in favour of defensiveness. By making this choice they rid themselves of the irritant individuals who challeoge con-ventional orthodoxy with independent, clever and venture-

some suggestions."
It could be, Smith suggests, that many of the strengths of the redundant managers lead to their downfall. Their independence and willingness to take risks could mean that tbey ignore organisational "amber signals" - the indications that their superiors are unhappy with their attitude. Further information from Coutts Coreer Consultants, 25 Whitehall, London SW1A 2BS.

# TECHNOLOGY

n the early 1980s Gene Amdahl, one of the world's most illustrious computer pioneers, lost \$100m trying to develop a new chip techno ogy. His company, Trilogy, was the industry's most expensive start-up. Now a tiny UK company believes that has cracked the problem for a mere 210m. The technology, known as wafer-scale integration, involves printing a set of chips complete with their connections on to a silicon wafer, rather than splitting the wafer into individual chips

which must then be connected together. Today Anamartic, a Cambridgeshire company, will demonstrate its technology for the first time at the semiconduc-tor world's premier forum, the International Solid State Circuit Conference

(ISSCC) in New York.

If Anamartic, an off-shoot of Sir Clive Sinclair's Sinclair Research, proves to have reliable designs which can be produced in high enough volumes, the result will be cheaper and faster computer systems, particularly for use within the financial sector. But, spart from seepficism among computer experts about whether Anamartic can succeed where Amdahl failed, they are also divided over the viability of the

technology.

Amdahl himself believes that it has been superceded by other means of interconnection which will lead to computers that work more quickly but cost less. He says that Trilogy's developments in wefer-scale integration were a "dead and".

However, the Anamartic venture has gained considerable credibility through

gained considerable credibility through two of its investors: Tandem Computers, of Cupertino, California, and Fujitsu, of Japan, one of the world's largest manufacturers of mainfrances. Anamartic's adoption of Fujitsu's chip and production technology has also enhanced credibility.

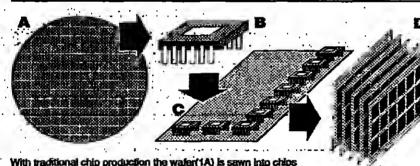
Also strengthening the UK company's hand is its decision to develop memory chip technology, a far easier venture than the processor chips attempted by Trilogy. However, Amdahl notes that production of memory devices in this way "is still a very difficult job."

Wafer-scale integration has raised such interest because if does away with several of the processes involved in several of the processes involved in in just one of its 1m transistors, it has making semiconductors, so producing to be discarded.

Wafer-scale integration uses every sound part of each chip, so pushing up hundreds at a time, on the surface of flat waters of silicon. The water is then sawn into individual chips and each one is packaged and attached to a printed direuit board (PCB).

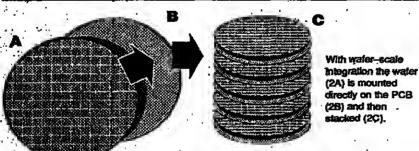
With water scale integration, the water is left whole and wired directly on to a PCB. As a result each chip on the wafer can communicate with its neighbour more quickly than in the traditional arrangement. Doing away with the packaging of individual chips also saves on cost and space - bit for bit, a wafer-scale device takes up a quarter of

the space of a traditional one. Another advantage is that the techTraditional chip production (1)



With traditional chip production the water(1A) is sawn into chips which are packaged (1B) & attached to printed circuit boards (PCBs) (1C). The complete PCBs are mounted in racks (1D)

Wafer- Scale Integration (2)



Whole wafers cut out chip wastage

Computer experts are divided over a new production technique. Della Bradshaw assesses the pros and cons

Wafer scale integration uses every sound part of each chip, so pushing up the yields on the wafer. Anamartic has

achieved this by employing specially developed software to bypass the faulty parts. The current moves in a bi-direc-tional spiral, starting at the edge of the

tional spiral, starting at the edge of the wafer, going into the centre and returning along the same path.

The downside is that the yield on the whole wafers has to be good enough for the company to begin the integration process. If 10 of the 200 chips were perfect, for example, but the rest unusable, the whole wafer would be thrown away. Under the traditional method 10 good chips could be salvaged.

The wafer on demonstration today in New York is six inches in diameter with 202 chips on it, giving each wafer a potential capacity of more than 200 Mbits. Anamartic is expected to get about 150 Mbits of usable memory from

nique uses parts of the water that cannot be used in conventional semiconductor production. When a water is
sawn up, the faulty chips are thrown
away. So if a 1 Mbit (one milliga bits of
information) memory chip has a defect

The chip design is from Fujitsu and is based on its 1 Mbit Dram (dynamic random access memory) technology, with added logic printed between each of the memory chips to control and gain access to them. The wafers are made for Anamartic in Japan by Fujitsu, on the Japanese company's standard 1 Mbit Dram production line, which etches lines 13 microns (millionibs of a metre) thick on the Cmos wafers. As Fujitsu is a leading producer of Dram wafers, Anamartic is likely to get relatively high yields and speedy production runs. Although Anamartic is keeping prod-

stacked (2C).

uct developments under wraps, the waters are likely to be stacked, up to 10 at a time, in a subsystem which could be added to existing computers. The subsystem would have a storage capacity of about 1.5 Gbits (1.5 billion bits of information) - the equivalent of more than 46,000 pages of text. The wafers will be packaged in a casing made from a closely guarded proprietary formula. Because the Dram wafers produced

for Anamartic are dynamic (they lose the information when the electric current is switched off), the first storage subsystems will be designed to fill the speed gap between quick-reacting computer main memory (dynamic memory chips on boards) and slower, but less expensive, computer disk drives. Such memory subsystems are likely to be amounced before the end of the year. The rapid growth in fault-tolerant computer applications — where there is

a need to get information instantly, such as with bank cash machines could provide a ready market for the Anamartic system, as the wafer devices would be cheaper than main memory. Tandem, one of the shareholders, is a major player in fault-tolerant comput-

Once the burdle of the first waferscale product has been crossed, further developments look far more feasible. A non-volatile version of the stack, using battery back-up to hold the information in memory, could easily be developed from the existing wafer and would pro-vide a very fast alternative to tradi-tional magnetic disks. Other types of chip, such as non-volatile read only

memory (Rom) or processors, could be developed in the same way.

Ivor Catt, a freelance inventor, of St Albans in the UK, who devised Anamartic's spiral software technique, has come up with a more advanced way of manipulating the technology. He has patented a wafer-scale computer, incorporating memory and processors on the same wafer, which work together in a two-dimensional array. The machine could have as many as 1,000 processors

on every water.

But questions about the viability of wafer-scale integration remain. Amdahl says that before Trilogy was disbanded, in 1986, it had developed a better way to make chips work more quickly, while costing less, particularly for main pro-cessors. "We discovered ways of packcessors. "We discovered ways of packaging chips side by side with good enough interconnection to make them as fast as going for wafer-scale. And it had the advantage that if any of the chips had a defect when they were in use, they could be replaced." That technology now belongs to Digital Equipment, the US minicomputer maker.

A similar technique has been adopted by Unisys in its Micro A computer, launched last month which the com-

launched last month, which the com-pany describes as a "mainframe on a deak-top." At the heart of the computer are 11 chips, closely wired on a two-inch-square ceramic board, which act as a 48-bit processor (processing 48 bits of information at a time), like a mainframe computer.

As the debate continues over the vying technologies, one thing is certain: computer systems will become faster and cheaper through advances in the way chips are packaged

Keith Warren, managing director of the research division of Plessey, the UK electronics group, emphasises that the way chips are incorporated in products today creates as many problems as it solves. "The silly thing you see is high-speed chips linked together in a number of complicated ways, which create stupid delays. The whole point of integrated circuit design is integrated. integrated circuit design is interconnec-

# Getting the measure of oil and gas on the sea bed

Steven Butler reports on a metering technique which removes one of the obstacles facing a new generation of satellite fields

technical breakthrough has been scored in the has been scored in the field of subsea engineering that promises to lower costs for small underwater oil field developments - and indeed to make more of them

worth developing.
In March, Texaco will begin the first tests at its Tartan field in the North Sea of a multiphase flow meter, a metering device designed to measure at the well-head the amount of gas, oil and water that is

After a test period on the Tartan platform, the equipment will be adjusted and installed on the scabed, at the Highlander fiald, which is a subsea satellite to Tartan. Multiphase matering is far trickier than may be apparent, yet it is vitally important.

For fiscal purposes, North Sea producers need to know precisely how much oil and gas is produced from each oil field, and the performance of individual wells must be monitored carefully so that production can be optimised.
Standard metering devices

are designed to measure flows of liquid or gas, but cannot handle the two combined. This is because mixtures of oil and gas are inherently unstable. Sudden changes in the ratios of the two would produce spurious reading on metering equipment that would be impossible to interpret. Consequently, on a typi-cal North Sea platform, oil, gas and water are first separated and then metered

This is relatively straightfor ward with traditional oil developments, because platforms are located, immediately atop the well-heads.

For a new generation of smaller North Sea fields, however, the traditional fixed plat-form development is far too expensive. Instead, these will be developed using subsea installations that are connected to existing production facilities by pipeline.

Highlander, for example, is

eight miles from the Tartan platform. Metering of Highlander production currently takes place by using extra equipment installed on the platform.

However, to carry out metering in this way, an extra pipe-

individual wells could be tested. And although Tartan was able to take the extra weight of the equipment, this could pose a prohibitive obsta-cle for some North Sea fields. Texaco says that several mil-lion pounds could have been saved in the case of Highlander

had the multiphase metering equipment been available earlier. It is developing the system with Jiskoot Antocontrol, of Tunbridge Wells, Kent, with financial support from the

European Community. The system works by making a partial separation of the mixture of oil, water and gas, metering the flows and then recombining the three before piping it to a production facil-ity for final separation and

xport. As the three-phase mixture flows into the device, the pipe diameter increases, slowing the rate of flow and causing the gas to separate naturally as it reaches the top of the column. Full separation of the gas from the liquids takes place in an inclinad, open flow vessel, where the liquid falls to the bottom and forms a pool, while the gas rises. The process is assisted by gravity. Part of the oil-water mixture

is channelled off the main ves-sel, where the last bit of gas is bled off. The liquid enters a patented microwave measuring device, where microwaves are passed through the flowing mixture. The proportion of water to oil can be determined by measuring how the waves

The actual volume of the flow is measured at the bottom

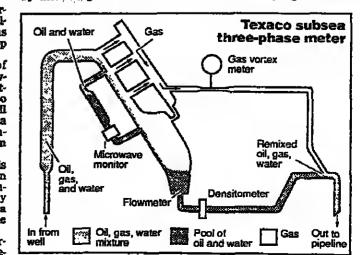
of the inclined vessel. Meanwhile, the gas is measured by traditional devices, after which it is recombined with the liquids by force of the pressure of the system.

The meter which Texaco is

to test atands about 30 ft high and can bandle production ranging from 3,000 to 18,000 barrels a day. It is expected to give readings that are accurate to within five per cent and can handle a mixture of up to 90 per cent gas. The level of liquid at the bottom of the incline separator rises and falls naturally according to the propor-

rainy according to the propor-tion of liquid and gas. It would be operated electri-cally through inductive cou-plers, in which fully insulated coils are brought close enough together (without touching) for a transfer of power to take place. A detachable, wire-to-wire electrical connection which is not subject to corrosion - the underwater power point - is still beyond the best minds in subsea engineering. Texaco believes that a mar-

ket for several hundreds of the meters could be found. In addition to use in satellite fields, tied to nearby platforms, the meter would be a critical piece of equipment for more complex subsea production systems located farther from existing platforms. Engineers are currently working on a range of complimentary equipment, including multiphase pumps and subsea coupling devices.



### THE PROPERTY MARKET

# Danes like the look of what they see in London

By Paul Cheeseright

ne cosy corner of the Danisb property indus-try bas heen transplanted to Fulham Palace Road, Hammersmith, London.

It is alive and well.

Danbyg is the biggest property development and investment company in Denmark. Looking for expansion in 1986, it spent £8m on a site in Hammersmith with outline planning permission and con-ceived the idea of what is now called West Six.

Through Danbuild, its Brit-isb unit, it is developing 200,000 square feet in three sep arate buildings, the first for office use, the other two for mixed studios and light indus-

The cosiness comes in because of the fact that Danbyg has been able to use in Hammersmith a series of relationships tested on the Danish domestic market. It obtains all of its land acquisition and con-struction finance from Privatbanken in Denmark. The same hank provided the necessary funds to get West Six off the ground. It obtains its long-term commercial mortgage money from Nykredit and KD, two

Danish mortgage institutions.
KD will provide the long-term finance for West Six.
Building costs at West Six

are estimated internally at around £50 a square foot cheap by British standards for such a development. This comes about partly because a portion of the work can be sub-contracted to Danish com-panies and some of the materials can come from Denmark. With a depressed local market they are glad for the work.

This depression in the Danish property sector is a factor behind the development of West Six and other UK acquisi-tions by Danbuild — land in the Limehouse district of London Docklands bought from Mountleigh, plus two residen-tial sites in Liphook, Hamp-

shire, and near Guildford. Over the last two years there bas been substantial office development in Copenhagen, largely through institutions as an alternative to making tax payments to the Government. The difficulty has been that there is no demand. Once the present phase of building is completed in about six months time, there will be some 7m

square feet of space overhang-ing the market, according to Danhyg executives. That will take at least two years to absorb. Not surprisingly rents have slipped, in some cases by up to 40 per cent.

Danbyg has to some extent been protected. Although it has some retail developments and in the past engaged in residential developments, its main strength lies out of town. It is a specialist in the development of mixed office and warehouse buildings, taken largely by industrial companies wanting an element of office space in conjunction with distribution, marketing or light industrial

facilities.

What it prefers are large tracts of land where a number of units can be constructed, creating an estate where there is scope for tenants to move around as their needs change. To that extent it is not unlike Slough Estates. What it does not do is to

hold land in vast quantities. It buys two or three years before construction is planned to start. But this is easier in Denmark than in the UK of recent times because land prices have

been stable. On any single plot the density is low - half of the space for the unit and half for

landscaping and car parks.
The main scene of this activity is at Taastrup, a satellite town in Copenhagen about eight miles from the city cantre. Here Danbyg has about 40 per cent of its investments. It owns about 8m square feet of land, of which three quarters has already been developed. Such boldings make Danbyg the biggest landowner in the immediate area and probably

in greater Copenhagen.
Generally Danbyg builds to hold, although it has just completed a 400,000 square feet computer and administrativa headquarters for Privatbanken. in Taastrup, Its current portfolio contains 4.5m square feet of space, although over the last 18 years it has built 14.5m square feet of space.

Its net assets are in the books at the equivalent of £230m, but this is grossly understated investments are carried at net cost and there is no revaluation on the British pattern. Danbyg chases capital growth. Its profit levels are dictated by tax considerations as

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£11.0 £20.0 Estimated annual rent £5.2m £2.8m Completed value - yield of £62.3m

	•		
Site cost		£8.5m	£8.2m
Construction cost .		£11.5m.	£16.0m
Finance		22.0m	£6.0m
Total cost		£24.6m	£32.9m

much as anything else Danbyg is the creation of Mr Axel Juhl-Jorgensen, a civil engineer who branched out on

his own account nearly 20 years ago, and who still retains 100 per cent control of the company. He has kept the group firmly within the property sector, avoiding diversification into financial services and manufacture, save for the purchase of a third stake in Modulbeton. This was done to ensure supplies of concrete at a

Nor has there been much

diversification overseas. There has been one venture in the US and latterly the British

But so far this has worked well, to the extent that plan-ning delays between 1986 and 1988 worked to Danbuild's advantage with rents rising faster than costs. Indeed, the first part of West Six is being offered at £32.50 a square foot. But the difficult decisions on how to cope with London Docklands and a soggy southeast residential market remain to be taken.

# Appreciating Frankfurt

coldest property market in Europe, then Frankfurt is

the hottest. Here again there is a Scandinavian factor.

In the central office market there has been a chase to buy property against the background of continued expansion in demand for space from the 400 German and foreign banks which are represented in Frankfurt. The nine open-ended German property funds were the most aggressive players in the market, explained Christopher Bull-Diamond of Weatherall Green & Smith in Frankfurt, but latterly they have been supplementally the partners of purchase

planted by the Scandinavians.

The pattern of purchase seems broadly the same as that followed in London. Swedish investors have been using borrowed money from Scandinavian banks that have been prepared to lend up to 80 per cent of the value of the property against the security of the property, while at the same time taking further security against assets in Sweden.

time taking further security against assets in Sweden. There has been some evidence, Mr Bull-Diamond said, of investment buying on yields of 4 per cent on small buildings, although more realistically yields have been kolding around 4.5 per cent.

Such buying, against projections of higher rents still to

tions of higher rents still to

City of London in 1987. To be sure, rents have been rising fast. Weatheralls said in their annual report on the market that "in percentage terms the rate of increase is compe to that of the City" over the last two years. But central Frankfart rents are still only about a third of top City rents.

Rental rises and investment buying have been fuelled by the low level of development and probability of only limited new office space coming on stream until the mid-1990s. At

the moment there is no new whether the market is in danger of boiling over depends. Mr Bull-Diamond suggested, on whether ten-ants are prepared or forced to go outside the central area, thus taking pressure of the established bank area.

The devalopment market seems to have passed away from German companies into the hands of Dutch, British and US groups, while Japanese property and construction companies are just beginning

The British presence is strong in the Frankfurt market, through - for example, London and Edinburgh Trust, MEPC, P&O Properties, ICI Pension Fund and the PanEuropean Property Unit Trust.

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# West End & Victoria Property

The Financial Times proposes to publish this survey on:

3rd March 1989

For a full editorial synopsis and advertisement details, please contact:

Joanna Dawson on 01-248 8000 ext 3269 or write to her at: Bracken House, 10 Cannon

Street London EC4P 4BY



### **EXHIBITIONS**

The Barbican Art Gallery. The Last Romantics. A fascinating study of the romantic, symbolic and decorative strain in British painting, that links Burne-Jones and the later pre-Raphaelites to Stanley Spencer and the Slade muralists of the 1920s. Daily until

The Whitechapel Art Gallery (in collaboration with the Funda-cio Joan Miro, Barcelona). Joan Miro: Paintings and Drawings 1929-41 — a study of the purest and most abstracted of the Surreand most abstracted of the Surrealists through the period of transition from his earlier, directly figurative work, to the final confirmation of his mature and most characteristic manner. Daily except Mondays until April 23 — sponsored by Citicorp/Citibank.

The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. The the Revolution Revisited. The exhibition is an odd and delightful anthology of images of that sometimes seductive, sometimes daunting personification of La France, Marianne, as she has been has been depicted in French art over the two continues times. art over the two centuries since the Revolution, with a few ante-cedents thrown in. It is frustrating in that oot all the requested loans were met, and the gaps are eloquent of the larger exhibitioo that might have been. But even so it is a generous and affectionate tribute to Britannia's difficult oeighbour. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3

The Royal Academy. Italian Art in the 20th century – after German and Britisb, the 3rd in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futur-ism, Metaphysical Painting, Real-ism and Abstraction, but is rather more cursory and hel-ter-skelter in bringing the story up to date. But the works in themselves are well choseo throughout, never less than intriguing and often very beautiful. All in all it is a remarkable exhibition (daily until April 9. except only Good Friday; sponsors Alitalia and Flat).

### **Paris**

Grand Palais. Paul Gauguin.

Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary peintre maudit, influenced at first by the impressionist Pis-sarro and later by Degas and Cezanne. The powerful personal-lty of the self-taught artist rap-idly asserts itself. The combination of japanism and primitivism expressed in glorious pure col-ours and the grave sensuality of his large Tahiti canvases revolutionised the artistic scene of his time and inspired the avant-garde movements of the early 20th century. Until April 24, closed Tue; late closing night Wed (42 96 58 30). Musee Picasso. Because the floors of the museum are crumbi-

ing under the passage of visitors, all the paintings have had to be takeo down during repairs, which will last for about two Musée d'Orsay. Paul-Rmile

Miot's photographs from Tahiti 1889-1870 show the melancholy 1889-1870 snow the melanically reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814). Bibliotheque Nationale. Gauguin et l'Ecole de Pont-Aven. Echoing the retrospective at the Grand Palais, theBibliotheque Nationale exhibits engravings by Gauguin and histriends, among whom O'Connor emerges as the most O'Connor emerges as the most powerfulpersonality. Ends March 5 (47038126).

Musée do Luxembourg. Trea-sures of Gallo-Roman Silver-ware.The spleodour of Roman silversmiths' work is brought to life by the rich finds oo the territory of Roman Gaul. 250 exhibits show favourite decorative motifs — floral themes, scenes inspired by hunting or by the Dionysos cult. Tahleware, Roman and Gallo-Roman master craftsmen. 19, rue de Vaugirard (42342595). Closed Mon, ends

Musées Royaux d'Art et d'Histoire Indus. The ancient cultures of Pakistan. Closed Monday. ends

Musée D'Art Moderne, A retro-Musee D'Art Moderne, A retro-spective of the paintings of Jean-Jacques Galliard (1890-1976). Closed Monday. Ends March 12. Générale de Banque, 29 Rue Rav-enstein. Formal Dutch furniture of the 16th-18th Centuries. Opeo daliv, ends Mar 21.

### Rotterdam

Boymens-Van Beuningen Museum, Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends

Nationalgalerie, Potsdamer Strasse 50, Guggenheim Collec-tion. Around 60 paintings from the Solomon R. Guggenheim

Foundation in New York and Venice with works by Picasso and Pollock are exhibited. Ends March 19.

### Munich

Kunsthalle der Bypo Kulturstif-tung. Retrospective of Paul Del-vaux. This exhibition with 66 pieces from all periods is the first big presectation of Del-veaux's works in Germany. The 91 year old Belgian painter first became famous for his surrealist work in the 1930s, influenced by De Chiricos and Magritte. The main subject of his paintings are naked women in classical settings and landscapes from his homeland. Ends March 19.

Haus der Kunst. Art of the Biedermeier. This exhibition tries to define the Biedermeier period with seveo different themes: what does Biedermeier mean? How were people presented in the Biedermeier era? Everyday life. Landscapes and nature. The towns. Art and artists. The effect of Biedermieer. Here are no paintings of Spitzweg, instead pictures by Karl Friedrich Goeser, Domenico Quaglio. Wilhelm von Kobell, Karl Joseph Stieler, Von Robeit, Raft Joseph Steier, Ferdinand Georg Waldmueller, Christen Kobke, Christoffer Eck-ersberg, Karl Begas and Wilhelm von Schadow as well as Friedrich Georg Kersting, The presentation is dominated by the 462 paintings. There is also a complete furnished room. Ends Feb 26.

Kunstlerhaus. The Soviets are becoming more relaxed about exhibiting their treasures abroad The latest to hit the West is a collection from Leningrad's Her-mitage which is devoted to Scythian Gold, the golden arti-facts of the Scythians, a nomadic people who once ruled over a large area north of the Black Sea. The 170 exhibits — ranging from gold-embroidered clothings, earrings and tablewear — were found in the ritual grave mounds of the Scythian kings. Ends Feb-

Secession. The Austrian designers, Oskar Putz and Adolf Krischanitz are worth seeing. Krischanitz, who designed some of the marvellous furniture at the newly restored Secession, is hav-ing a big impact in Japan. Besides seeing what the post-war generation of Austrian artists are up to, ooe can also see Klimt's Beethoven Frieze, which is now back in its original place.

Villa Farnesina, Vis della Lungara 230, Over 100 fierca lithographs by the French artist Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Unable to attack his monarch Louis Philippe directly during the years 1830 to 1848, Daumier

lashed out viciously at other monarchs, mostly European, but with a particularly vicious series directed at the Emperor Sonlouque of Haiti, for their racist attitudes. Until Feb 28. Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle gen eration of Italian artists, Ghilio Paolini, born in Genoa in 1940.

Palazzo Reale, Avant-garde Russian painting from private collections (1904-1934). A remarkabla exhibition organised by the Comune of Milan and the Soviet Cultural Foundation, and spon-sored by Pirelli, of works from 19 private collections in Moscow Leningrad and Kiev, none of which have ever been seen in the West. Until March 5.

### **New York**

Pierpont Morgan Library. Master drawings borrowed from Hol-land's oldest museum, the Teyler in Haarlem, focuses on work by Michelangelo, Raphael, Golzius, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30. Museum of Modern Art. In Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell'e Soup cans, silkscreens on canvas of Elvis, Jackia Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Art Institute. As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art. Ends May 7. Art Institute. Dante Gabriel Ros-setti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," Thomas Rowlandson'e satires through Turner to the pre-Ra-phaelites. Ends March.

National Museum. Treasures from the Ninnaji Temple in Kyoto, This Zen temple was founded in 888, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle arts of the tea ceremony and flower arrangement and its trea-sures include beautiful gilt Buddha statuettes, lacquerware and porcelain from the Heian period. Japan Folkcraft Museum, Komaba. East Meets West: ceramics and etchings by the two greatest potters of the 20th century, Bernard Leach and Hamada Shoji.

### MUSIC\* London

London Concerto Orchestra, conducted by Nicholas Cleobury with William Stephenson (piano) Rossini, Handel, Grieg, J Strauss, Eigar and Borodin. Barbican Hall (Pri) (638 3891). Hall (Fri) (638 6891).

London Symphony Orchestra
conducted by Rafael Frühbeck
de Burgos, with Nigel Kennedy
(violin). Britten, Beethoven, Stravinsky. Barbican Hall (Sun) (638

8891). The Philharmonia conducted The Phinarmonia conducted by Giuseppe Sinopoli with Mar-tha Argerich (piano). Wagner, Liszt, and Beethoven. Royal festi-val Hall (Tue) (928 8000). London Symphony Orchestra conducted by Michael Tilson Rachmaninov, Barbican Hall (Thur) (638 8891).

Tamas Vasary (piano). Beethoven, Chopin (Mon) Chatelet Olaf Baer (baritone), Geoffrey Parsons (mano) (Mon) Théatre Patsons (piano) (Mon) Theatre del'Athenée (47426727). Nouvel Orchestre Philiarmoni-que conducted by Serge Bando, Bella Davidovitch (piano), Jean-Louis Gil (organ). Van Rossum, Franck, Saint-Saens (Mon) Grand Auditorium, Radio France (42301516). Yo Yo Ma (cello) Kathryn Stott

(piano). Schumann, Kirchner, Schubert, Brahms (Wed), Théitre des Champs Elysées (4720837). Julian Bream (guitar) Salle Pie-yel (Thur) (45638873).

# London

A Walk in the Woods (Cornedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no dealing tricks (930 2578, cc 839 1438). The Secret Rapture (Lytteiton). Brilliant new David Hare piece for the National Theatre, a satiri-cal but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 24, 25, 27, March. 9-15, March 25, 27 (928-2252, cc.

240 7200).
The Shanghram (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given Boucicault'a melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). March 1-4.
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "beatherscented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

(834 1317, cc 836 2428). The Vortex (Garrick). Maria Altken and Rupert Everett in bril-liant reappraisal by Philip

### Vienne

Austrian State Radio and Televi-sion Orchestra conducted by Hubert Soudant. Solcists, Patri-cia Wise (soprano), Julia Bern-meimer (alto), Hein Meens (tenor). Honegger, Kanimann. Musikverein (Fri).

Musikfest — Oesterreich beute,
opening concert conducted by Isaac Karabtchevsky, Schubert, Kanfmann, Krenek, Schoenberg. Wiener Symphoniker conducted by Franz Welser-Most. Bee-thoven, Hindemith, Schumann. Musikverein (Wed).

Amsterdam

Royal Concertgebouw Orchestra conducted by Herbert Blomstedt, with Yo-Yo Ma (cello), Haydn, Bruckner (Fri), Concertgebouw. Kily Ameling (soprano) accompa-nied by Rudolf Jansen. Haydn, Mozart, Schubert, Brahms, Faure, Poulenc (Tue).

### Rotterdam

Vermeer Quartet, Ginastera Beethoven (Tue), Schubert Quar-tet, Schubert (Wed), Doelen (413

# Frankfurt

Stuttgart Badio Orchestra with Frank Peter Zimmermann (vio-lin) conducted by Sir Nevills Marriner, Brahms, Alte Oper

(Sat).
Frankfurt Badio Orchestra conducted by Eliahu Inbal with three radio choirs form Stutigart, Hamburg and Cologne. Soloists

Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107,

A mast for yappines (3/3 5107, cc 741 9999).

Mrs Klein (Apollo). intriguing chat among the child psychoana-lysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2668, cc 379 44). rpheus Descending (Hayma

Orpheus Descending (nayura-ket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and italianate in atmospheric restoration of Tennes Williams'a last indisputably

### **New York**

Runours (Broadhurst). Neil Simon a latest comedy is a selfconscious farce, with numerous slamming doors and lots of mug-ging but hollow humour that misses as often as it hits. Chris-tine Baranski leads an ebullient cast in the inevitable but disappointing hit. Cats (Winter Garden). Still a

sell-out, Trevor Nunn's produc-tion of T.S. Kliot's children's poetry set to music is visually startling and choreographically are Maria Rwing, Denes Gyulas, Robert Lloyd and Gilles Cachem-ille. Berlioz, Frankfurt, Alte Oper

Wirtismberg Chamber Orchestra conducted by Joerg Fastber and Anne Sophie Motter (violin). Haydn, Lutoslawski, Wagner and Bruch, Philharmonie im Gastele (Such.)

Die Philarmonischen Virtuesen Berlin, with planist Marisa Tan-zini Mozart, Dvorzak and Schubert. Testro Olimpico (Wed.) (3933O4). Chamber Orchestra of Europe with violinists Gidon Kremer and Tatiana Grindenko. Rossini.

# Viotti, Mendelssohn and Schnittke. Anditorium in Via della Conciliazione (FrL.) Florence

Benjamin Britten's War Requier conducted by Bruno Bartoletti with Edda Moser (soprano), Zeger Vandersteene (tenor) and John Patrick Raftery. Teatro Comunale (Fri, Set and Sun)

### New York

(239 6200).

Philadelphia Orchestra con-ducted by Riccardo Muti with Westminster Choir directed by Joseph Flummerfeldt. Verdi pro gramme. Carnegie Hall (Mon) (247 7800). Chamber Music Society of Lin-coln Center with David Jolley

feline (239 6262). Les Misérables (Broadway). The

nagnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama

(239 6200). Phentom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets. Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200). Marcel Marceau (City Center). Month-long performances by

Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581

Washington
Steel Magnoliss (Kennedy Center Elsenhowen). Barbara Rosh and June Lockhart star in this view of Southern life through the antics in a hairdressing salon. Ends April 2 (254 3670). Beggar's Opera (Folger). This eighteenth century view of London low life by Jehn Gay gets inspiration from its Globe Theatire setting. Ends April 9 (546 4000).

The Enormous Room Overt Thea-tre) John Carille directs his own adaptation of the e.s. cummings

National Symphany Orchestra conducted by Alessandro Sicili-ani: Rossint, Mendelssohn; Res-pishi Remody Center Concert Hall (Tus) (254 3770). National Symphony Orchestra conducted by Sixten Enring with Ruth Laredo (pisno). Been-lier Schumann, R. Strauss, Kenlicz, Schumann, R. Strauss, Ken-nedy Center Concert Hall (Thur)

(horn), David Singer (clarinet). Brahms, George Perle (world premiere), Dworak, Lincoln Cen-ter Alice Pully Hall (Tue) G62.

1816). Engene Istonia piano recital

2800). New York Philharmonic con-

Mezert, Debussy, Chopin, Berthoven, Carnegle Hall (Wed) (247)

con your Philharmonic con-ducted by Kurt Masur with Clau-dio Arran (pisno). Mozart. Bee-thower, Brahms. Lincoln Center-Avery Fisher Hall (Wed, Thur) (198 9685).

loen Morris mezzo-sopra recital with William Bolcom (piano). Tchalkevsky, Balcom, Dvorak. Town Hall (Tue) (812)

Calcago Symphony Orchestra
conflucted by Erich Leinsdorf
with Ruben Gonzalez (violin),
Dale Clevenger (horn), Edward
Dryzinsky (harp), Haydn, Chausson, Brahms, Debussy, Orchestra
Hall (Tue) (435 6665).
Chicago Symphony Orchestra
conducted by Erich Leinsdorf
with Cristina Ortiz (piano).
Brahms programme. Orchestra
Hall (Thur) (435 6666).

novel about internment in the First World War. Ends Mar 26 Kirst Worln War, Ends Rain 20 (475 1875).

Steel Magnolias (Royal George).

Ann Francis and Marcia Rodd
play the leads in this view of
southern life from under the dryers in a busy hairdressing establishment (988 9000).

### Tokyo

Kabuki, Kabuki-za (541 3131). The matinee performance at 11.30am features four works. including a recent showpiece, including a recent showpiece, Genji Monogatari, a tale of the Genji clan. The final play in the evening performance at 4pm is Megund no Kenku (The Fight with the M Brigade), which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Once Kiku-good VII for whose great-grandgoro VII, for whose great-grand-father the play was written. Tick-ets are available for a single act and the theatre provides informa-tive English-language pro-grammes and earphone commen-

tary. Asinamali. Space Part 3, Shi-Assammal. Space Part 3, Sto-buya. Anti-spartheid musical, performed in English by the Committed Artists group from South Africa. The title means "We have no money", but its meaning is "We have suffered enough" (477 5858).

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Jackie Mason

# The World According To Me Musical life in

Jackie Mason is a Jewish comedian and former rabbi from New York's Lower East Side who toiled in the holiday hotels in the Catskill Mounnotes in the Carskill Moun-tains for decades, blew a televi-sion career by allegedly giving the all-powerful Ed Sullivan one or two fingers, on air, in 1964, wrote a play that flopped after 97 previews and one per-formance in 1969, lost a lot of his own and other people's money in doomed film projects, and was finally "discovered" on Broadway two years ago.

In other words, he comes from the hard knocks school. He is also sickeningly funny, unrepentantly vulgar, highly skilled and scabrously satiri-cal. In the final moments of his two-hour monologue at the Playhouse near Charing Cross (the six-week season has been extended to ten weeks), he declares that England is the only place in the world where food is more dangerous than sex. He's lost 112 pounds in six days. He launches into a brillient this. liant shilk about hard cheese, soft cheese, hard eggs, soft eggs, air-conditioning, smoked salmonella. He thought he was coming to the most civilised country in the world. He's

come to Uganda and he's on hunger strike.
There have been countless

great American comics from the Borscht Belt circuit. Even Lenny Bruce played it, and Mason is a bit like Bruce in his political savagery, but without the rude words. He is less intellectually mordant than Mort Sahl, but more vicious than Alan Sherman. Like all of them, he wears his Jewishness like a badge and with a hope-

less shrug.

Jews who are proud of being Jews, he says, will condemn him for being too Jewish. His observation is always too close for comfort, even when rooted in the cliches of ethnic identity. in the charles of estitic hear-tity. Blacks in the ghetto may be hoodlums. "There are no tongh Jews. Nohody ever walked into a Jewish neigh-bourhood and got killed by an

One big target is the dis-guised or denying Jaw, the man who joins the country club and wears white socks. Another is the show-off, the executive who yells at people he cannot hear on his car telephone, the producer in Hollywood who produces nothing but cards from his top pocket, the bejewalled hostess who

she cannot pronounce. He enlivens the stereotype

by the force and detail of his commentary, and in so doing liberates us through laughter from the tyranny of racial timidities. Pick on Jews, pick on everyone: Italians, Gentiles, folk singers, Dan Quayle.

folk singers, Dan Quayle.

He speaks like ha doesn't care, selecting one or two people in the front rows to oll his linking material with finger-jabbing insults. But he looks funnier himself than any victim could, a puffed up little bulling in a barathea hlazer, too short for his size, frizzy hair, with bulging akin bags under sad eyes and a voice both adenoidal and guttural that the denying Jew would that the denying Jew would have had fixed years ago along with his name (Mason did that — he's really Jacob Maza) and

His aggression takes great swipes at President Bush's affected firmness, the fatness of Mrs Bush ("You never see them in the same photograph — there's no room"), the bollaing do-gooding of Jesse Jackson (he can take prisoners out of countries, who don't even of countries who don't even want to go), the accent of Kis-singer, tha illness of Nixon

boasts of European dress labels ("It's syphilis. You can't screw two hundred million people and end up with phlebitis"). I was most surprised by the physicality of his imperson-ations. He celebrates the non-talent of Stallone by doing a

hee-haw grunt and pelvic strut. "Ninety million dollars. I talk poifect and I can't make a liv-ing." Similarly, singers today have one thing in common. No voice. And he subverts his own historical thesis with a bril-Hant scat syncopated evocation of Al Jolson, a quick brush-stroke croony send up of Bing Crosby. He says Sinatra is the greatest singer alive, because everyona else says that, and if you don't you get killed.

Apart from anything else, the show has a great script. It is a rollicking, rhythmic com-pendium of vivid vocabulary and phraseology. You can savour a lifetime's work in the dizzying paragraph construc-tion, punctuated with hrute

One big error is to end on a sentimental explanation instead of proper material.
Why do American performers,
even rough ones, always have
to say Thank You?

Michael Coveney

# New York

York's musical life is not Lincoln Center – home of the Met, the Philharmonic and the City Opera – hnt Carnegie Hall, with its parade of orchestras from Vienna, from Berlin and Boston and Baltimore, Prague and Paris and Pittsburgh, Lon-don and Leningrad and Louisville, Dresden and Detroit, Chicago and Cleveland, Phila-delphia, Cincinnati, San Fran-cisco. It's alarming to reflect that, when Philhamonic (now that, when Philharmonic (now Avery Fisher) Hall went up on Lincoln Center, Carnegie was nearly demolished: as the old Met was demolished when the horrid new Met went up on Lincoln Center. But Isaac Stern galvanized concerned people, and Carnegie was saved for the city. It is in use every night, Perhaps the old Met would be, too, if still it stood.

Carnegie today isn't "old" Carnegie, however. It opened nearly 100 years ago (Chaikov-sky conducted), and over the years it was variously altered and nutilated. Heavy prosce-nium curtains were added. A hole was cut in the ceiling, above the orchestra, for the making of a movie, and all sorts of tat hung down over the stage. Tall stage screens obscured the good architecture. But it had good, even, warm sound. In 1986 there was a renovation, costing millions. The curtains, the tat, the screens were scrapped. New floors, new seats were installed. It wasn't a return to pristine glory - instead of the original warm Victorian colours, in which "old rose" was dominant, the cream-and-gilt scheme now associated with classy "culture" was chosen for the paint job - but it was very handsome. Tutbill's architecture was again

revealed. But - it's a "hut" that makes musicians feel that some of those millions were misspent - the acoustics were drastically altered, and for the worse. The place was no lon-ger warm, flattering, welcom-ing, String sound turned harsh. Orchestras sounded unfocussed. Evenness had gune. Critics are given seats in the stalls; in intervals, I seek friends sitting in the hoxes and ask if there are any empty seats there. Up in the tiers, the sound is now much better than

down on the floor. For a season, the manage-ment put a bold face on things and – despite a barrage of hostile commentary – insisted that everything was just fine. But this season they ringed the platform with low screens designed to soak up mid-frequencies. The screens are low enough not to wreck, merely to vitiate, the stage architecture. To my ears they are almost no acoustical help at all: a few more millions will have to be raised to turn Carnegie into the excellent hall it was before all those millions

But meanwhile the parade of great orchestras continues. The season hegan with the Vieuna Philharmonic and Leonard Bernstein, with a Brahms 4 that seemed to me orchestral performance on the highest attainable level. It spoiled one for most of what came after in the way of standard repertory. But Karajan and the Berlin are due soon: and the Cleveland Orchestra have just given three concerts of exceptional interest and

were spent on its "renova-

In my London days, there was an ever-shifting orchestral "league table." As undergraduetes, we thought Hallé/Barbirolli string tone superior to

that of any London orchestra, but admired RPO/Beecham woodwinds above all others. And so it went on: changing, in fact, as conductors changed: the Philharmonia under Cantelli and Karajan, the LSO sudtelli and Karajan, the LSO sud-denly best of all . . . In Amer-ica, there's something of the same thing. The Cleveland under Szell was once deemed supreme. Chicago/Solti took the lead for a long while. Then Philadalphia/Mnti rose. But Chicago and, increasingly, Philadelphia bave become rather hard, bright orchestras: "perfect," but with a perfec-tion suggesting a studio recording. And now, it seems to me, the Cleveland, under Dohnanyi, has regained the position it had under Szell. When it comes to New York, one doesn't miss the concerts.

Partly, no doubt, it's a mat-ter of arresting programmes. Cleveland's three days here began with Delins's Irmelin Prelude and ended with Varese's Ameriques They included the Busoni Piano Concerto and the Tippett Triple Concerto. Also an excel-lently poised account of Moz-art's E-flat Symphony and an "Eroica" that held one intent on the heroic progress. The Cleveland Orchestra unites sterling tone, superb balance and tuning, with classical communicativeness. Its full string sound may not be as warm and hlooming as Vienna's, but its accurate, beantifully andible pianissimo string playing is second to none. Wind solos have character and distinction. The brasses can be fiery, but they don't blare and sear as the NY Philharmonic's do. The Irmelin Preinde was clear and precise, without the soft-focus poetic haze that Beecham cast, but it was exquisite. In the Tippett

concerto, three front-desk players showed their prowess. The Busoni concerto has not been dehased - as Mahler symphonies have been - by frequent, workaday, commercial performances. When I was younger, performances of any but Mahler's First, Second, and Fourth Symphonies were rare, very special eveots. Performances of the Busonl Piano Concerto are still that. (The last New York performance was 20 years ago, at a Cleveland/Szell concert.) And so each time the work excites one afresh with the richness, exuberance, distinction, and integrity of Busoni's Invention. Garrick Ohlsson was a soloist both noble and poetic, placing effortless technical prodigy the 75-minute work must be the most exigent of all plane concertos in stamina and digi-

tal prowess - at Busoni's ser-

When the RPO came here this month, under Ashkenazy, It played Shostakovich and Mahler. The LSO. due here soon, under Michael Tilson Thomas, has hilled Prokofiev and Mahler, with a Knussen fanfare as token British representation. Not good enough. When British orchestras march in the Carnegie parade, the New York public needs to hear what British composers have been writing for them. No longer just Elgar, Vaughan Williams, Walton - still less Shostakovich, Prokofiev, Mahler - hut Tippett, Davies, Bir-twistle, Colin Matthews, Robert Saxton, Jonathan Lloyd and the other composers whom New Yorkers read about (now that the FT is a New York daily, on sale at every busy street corner) but, except at the chamber concerts of the more adventurous ensembles - or when Cleveland brings Tippett to town - never hear.

Andrew Porter

# See Tuscany and sigh

Susan Moore reviews the Etruscans

t is a rare feat to bring to life the spirit of a school of painting which barely existed. The Etruscans were never more than a loose fraternity of British and American landscape painters who worked in Italy with Giovanni Costa (1827-1903). The Italian patriot and painter attracted a bewildering diversity of talent: those who became giants of Victorian art and design, such as Frederic Leighton and Walter Crane, and others, includ-ing one Arthur Lemon, a for-mer Californian cowboy, who are hardly known et all

are hardly known at all. The birth of this new breed of Etruscans, and their impact on British art, is one of the most neglected chapters of 19th century landscape painting. The thread is unravelled to great effect by Christopher Newall in a long-overdue exhibition which begings its tour in York. It originates, appropriately, from Stoke on Trent, the ately, from Stoke on Trent, the home of Wedgwood's Etruria factory, and the birthplace of one of Costa's closest followers, George Heming Mason:

Costa believed that Nature was meaningless unless inter-

preted with sentiment. Nature was not to be slavishly recorded but rather the distillaresponse to it. He advocated atmospheric tonal colour and the reduction of landscape to its essential form. No doubt part of his appeal for Mason, the young Leighton and those artists who later sought him out on Leighton's advice, was his rejection of the objective, obsessively detailed and ulti-mately and naturalism of the

For Costa, who had fought with Garibaldi in 1849 and was in virtual exile from Rome for the following decade, landscape had to express what an artist felt for his native land. His acolytes saw the Roman campagna, and the coastal regions of Tuscariy, more through the eyes of Ovid and Virgil, Keats and Shelley. Etruscan art is characterised less by any similarity of style than by a common mood and sentiment. Their landscapes are willfully nostalgic, mne-monic. For creator and spectator a case of see Tuscany and

One of the fascinations of the show is to see what the various artistic personalities chose to learn from Costa. Mason, particularly, shared his unsentimental interest in rus-tic peasant life; Edgar Barclay's classicising frieze of washerwomen on the banks of a river near Rome provides a refreshing alternative to Alma-Tadema's Indolent Roman bathers. Most strove to emulate Costa's vision in terms of pure landscape, adopting his preferred format of strongly horizontal, high-horizon panoramas, and the expressive light of dawn and dusk.

At times the canvases are reminiscent of Freidrich. The viewer becomes the silhouetted. figure gazing across the sweeping plain in Matthew Ridley Corbet's tour-de-force, or Costa's Franciscan rejoicing in tha sun rising over the Umbrian countryside.

One reason why Costa is so little known in Britain is that only one (small) work has found its way into a national collection. (The canvas presented to the nation by a group of friends, including G.F. Watts

Earl of Carlisle.

George Howard emerges as a painter of great stylistic range



Keats Grave in Rome, by George Howard, 9th Earl of Carlisle

and Bnrne-Jones, was destroyed in the 1928 Tate flood.) That he was once widely known, and is so well-represented here, is largely due to his friend, patron and fellow Etroscan, George Howard, 9th Earl of Carlisle.

and independence, and as one of the hrotherhood's most gifted members. Costa empha-sised that "art must express the sentiment of the artist's country", and the Englishman proved no less adept in his native land. His gloriously bold, unmistakably Northern watercolours of the park and

landscape around his Cumhrian home provide an unex-pectedly vivid postscript to Etruscan painting

The exhibition continues at York Art Gallery until March 5, and opens at Leighton House, London, March 20-April 22, and at Stoke on Trent Art Gallery, April 29-May 28.

# English Concert

Trevor Pinnock's English Concert makes fewer London appearances than many of its period-instrument rivals, and Wednesday's concert at St John's was sold out well in

The chamber orchestra is currently recording a set of Haydn's Sturm und Drang symphonies for Archiv and two
of those; No.43 in E flat, the
"Mercury," and No. 47 in G,
given in lithe yet straitlaced and unjoyous accounts, were the cornerstones of its pro-

A pair of Mozart concertos separated the symphonies, and the first of them, the Oboe Concerto K.314 with Paul Goodwin as the impressive soloist, raised many questions about the whole business of period-instrument performance. However proficient the one. soloist, getting over tha hurdles of a classical wind concerto on an 18th-century: instrument never seems anything but a battle; the vagaries of intonation, and the difficulties of obtaining evenly weighted passage-work seem a positive hin-

Where the use of period strings or keyboards is invariably a pure gain in expressive and textural terms, the prob-lem of wind instruments is much less clear cut. Goodwin surmounted the problems of the concerto quite magnifi-cently but it would hard to argua that the result was a more *musical* performance than it would have been with a modern instrument, even if it was historically a more faithful

Directing the English Concert from the harpstchord Pin-nock gave his oboist clear, straightforward support, and then proceeded to play and conduct Mozart's A major Con-certo K.414 from the fortepiano. His keyhoard style is direct and uncomplicated, carefully weighing tuities and solo passages, though one could have hoped for a greater fond-

ness in the shaping of some phrases, a greater sense of Mozartian style.

The impression his playing left was of a perfectly civilised but essentially impersonal 18th-century approach that just happened to be focussed upon a Mozart concerto on this occa-

**Andrew Clements** 

# Berio's Sinfonia

Luciano Berlo's presence in London this month to conduct his opera, Un re in ascotto, at Covent Garden has supplied the Royal Academy of Music with the peg for the latest of its annual International Composer Festivals. Three full days of Berio at the RAM - lunchtima and evening concerts, ancillary events in between — on Wednesday night climaxed in the Duke's Hall with Berio's acceptance of the Academy's Honorary Membership, and then the RAM Symphony Orchestra performance of the Sinfonia (1968-69) under Odaline de la Martinez.

Berio's music can be relied upon to make a huge impact on students — this has long been the case, and, from the evidence of the "buzz" that has

the wholly committed performance of the Sinfonia that closed it, remains so today. This particular work - in many ways a quintessential product of the 1960s, with its complex multi-layered, open-ended structure and vast collage of quotations (musical and literary) used as thematic reference-points — seems not to have dated in the slightest. Mahler said of the symphony that it should create a "whole world." There is a whole world ingly full of dramatic incident, gesture and colour, an experi-

here: bewilderingly, exhilaratence that "adds up." The char-acteristic Berio combination of intellectual voyage and musi-cal richness stimulates a special kind of ear-opening.

The RAM account of the Sinattended this little festival, and fonia caught the unifying sense

many strands of voices and instruments, words and notes. The eight student singers who took the parts originally assigned to the Swingle Singers were amazingly anthoritative in their several languages and vocal styles; this alone was evidence of the thorough prep-aration that underlay the whole performance. If anything, it was at times too insis-tently forthright and vigorous: the reverberant acoustics of the hall forced the players to limit the range of dynamics and, with it, the creative ambiguittes that inform and enrich Berio's vision. But in spite of this it was an impressive and substantial achievement, as was the whole festival.

of vitality that animates its

Max Loppert

# ARTS GUIDE

OPERA AND BALLET

Royal Opera, Covent Garden The long-awaited London produc-tion of Luciano Berio's Un re in ascalto is one of the Royal Opera's greatest triumphs in recent times, a dazzling kaleido scope of sounds, themes, and dramatic visions brilliantly staged by Graham Vick. Stephen Harrap takes over as conductor, and the superb cast includes Donald McIntyre and Robert

English National Opera, Collsaum, the first-eyer Collseum Fulstuff is by the "home-team" of Mark Elder (conductor) and David Pountney (producer). Ben-jamin Luxon takes Verdi's title namin Lumin takes Verdi's true role, and the cast also includes Malcolm Donnelly, Janice Cairns, and Anne Collins. Further perfor-mances of Bizet's uneven but lovably fresh and tuneful Faur! Fishers, with Cathryn Pope Arthur Davies and Alan Opiet Arthur Davies, and Alan Opie; final ones of Arthert Reimann's dry, noisily violent Shakespeare adaptation, Lear, with Monte Jane in the title role at the bead of a uniformly impressive cast. Royal Opera House, Sadler's Wells Royal Ballet presents David Bintley's new Hobson's

Sadler's Wells Theatre, The adventurous Ballet Gulbenkian from Portugal arrives at Sadler's Wells for a season which began

Théstre des Champs Riysées.

La Somanbula, a pew produc-tion in co-operation between the Théstre des Champs Elysées,

Welsh National Opera, Grand Théâtre de Nancy and Théâtre Thésire de Nancy and Thésire de Lausanne. (47203637).
Opèra. Die Meistersinger Von Nürnberg alternates with the Spectacle de Ballets choreographed by Balanchine, Massine and Twyla Tharp to music by Hindemith, Tchaikovsky, Haydn and Bach, respectively (4742537), information in three languages 47425750.

Stantager. In repertury: Civilio conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeler, Peter Koves. Die Verknigte Braut conducted by Jiri Kout. Cast includes Anna Gonda, Heinz Zednik, Peter Seiffert. Der Freischlitz conducted by Hans Wallat, with Gunnel Bohman, Eva Lind, Hans Helm. Il Barbiere di Siviglia conducted by Ion Marin, with Douglas Ahistedt, Carolos Chausson, Goran Simic. Manon Lescaut conducted Simic. Manon Lescout conducted by Silvio Varviso, with Mara Zampieri, Gabriele Sima, Kurt Rydl, Richard Burke. (51444, ext. 2660).

Opera. Der Liebestrunk is revived with a star cast led by Lucia Ali-berti, Richard Lesch, Ingvar Wix-ell and Roland Opanerai. Turusen and Roland Opanerai. Turun-dot in Götz Friedrich's production with Clamma Dale-making her debut as Liu, Linda Keim in the title role, Corneliu Margu (Kalaf) and Martii Talvela (Timur). Locku Machath (Timur) Lady Macbeth von Mensk returns with Karan Armstrong, Kathryn Montgomer-y-Meissnet, Ute Walther and Devid Griffith. Notre-Dame de

Paris has wonderful Roland Petit

Opera. Artaine out Naxos has a first-rate cast including Hellen Kwon, Anna Tomowa-Sintow, Klaus Koenig and Dieter Weller. Die verkoufte Brout is a well-done repertoire performance with Joanna Borowska, Hans-Otto Klose, Elisabeth Steiner and Kurt Moll. Also in repertory: Jean-Pierre Ponnelle's wholly delightful production of Don Car-los with Sharon Sweet as Elisabeth, Dunia Vejzovic as Eboli, Giuliano Cianella in the title role and Mario Di Marco as Posa.

Opera. Lohengrin has fine inter-pretations by Nadine Secunde, Eva Randova, Ekkebard Wiza-chiha, Eherhard Buechner and china, Eberhard Succinier and Kurt Moll. Die Fladermeus iea-tures Josef Protschka, Gabriele Fontana, Daphne Evangelates and is conducted by Georg

## Frankfurt

Opera. The two Lievi brothers had a most successful opera debut with Titus, which opened last week. Cesare Lievi's production and Daniels Lievi's sets sup-ported the wonderful singing of Keith Lewis in the title role, Helena Doese as Vitellia, Pia-Heiana Doese as Vitelia, Pia-Marie Nielsson as Servilla, Alicia Nafe as Sesto, Man Gregory Jur-isich as Publio and conducted by the musical director Gary Bertini. Otello with Clarry Eatha, William Cochran, Heinz Meyen and Manfred Schenk. Fidelio features Luana Delvol, Herman Winkler, Wolfgang Probst, Susan Roberts and Manfred Schenk.

## Stuttgart

Opera. Ciello brings Gabriela Benackova-Cap, Amedeoz Ambom and Carmen Mammos together. Die Entführung aus dem Serall has Tomoko Nakamura, Janice Hall, Yasuko Kozaki and Rusdiger Wohlers. Onegin, choreographed by the late John Cranko, and Dornris chen by Marcia Haydee round off the week.

## Amsterdam

Muzickthester. The Netherlands Opera production of Berlioz La Dumnation de Faust is directed by Harry Kupfer. Hartmut Haen-chen conducts the Rotterdam chen conducts the Rotterdam
Philharmonic, with Hedwig Fass
bender as Marguerite, Jean-Philippe Lafont as Mephistopheles,
Barry McCauley as Fanst (Sun
matinee, Tue).
National Ballet presents the world premiere of a new ballet by Maguy Marin, Corps (Van Manen/Berg), and No Man 3-Land (Van Dantzig/Smit) (Mon, Wed, Thur) (255 455).

Teatro del l'Opera. Francesca Zambello's neo-classical produc-tion of Cimarosa's *Gli Orozi si* Curiozi with scenery and cos-tumes inspired by the painter David. Alan Curtis conducts a young cast which includes Ahna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers

(Sat) and the first performance of a new opera, *Chariotte Corday* by the young Torinese composer, Lorenzo Ferrero (Tues, Thur). The cast includes Elena Mauti Nunziata, Roberto Scandiuzzi and Antonio Salvadori; conduc-tor is by Roberto Abbado. (46.17.55)

Tentro alla Scala. A revival of Piero Faggioni's 1974production of Puccini's Toscz, with scenery and costumes by Nicola Benois. Ghens Dimitrova and Maria Guleghina alternate in the title role. Conducted by Tiziano Severmi (Fri, Sat, Sun) (86.91.26).

Testro San Carlo. Umberto Giordano's Fedora conducted by Pier-luigi Urbini, with Piorenza Cossotto, Lucietta Rizzi and Nunzio Todisco (Sat, Tues). Puccini's Madame Butterfly in Mauro Bol-ognini's production, with Olivia Stapp (alternating with Elena Mauti Nunziata) and Eleonora Jankovitch, conducted by Bruno Moretti (Sun) (79.72.412).

## New York

Metropolitan Opera House, Lincoln Center. Eva Marton has the title role in the premiere of Salome, directed by Nikolaus Lelmhoff and conducted by Marek Janowski, with Heiga Der-nesch as Herodias and Neil Rosenshein as Narraboth. David Stivender conducts Idomeneo with Carol Vaness as Elettra. Frederica von Stade as Idamante and Siegfried Jerusalem in the

title role. In the last performances of Bluebeard's Castle, Jessye Norman sings Judith opposite Samuel Ramey in the title role. James Levine conducts, along with the monodrama Eugritus where Jesus Norman sings. tung where Jessye Norman sings the Woman. New York City Ballet, State Theatre, Lincoln Center. The

February 17-23

Aoth anniversary season contin-ues with 26 works by George Balanchine, nine by Jerome Rob-hins and five by Peter Martins, In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commis-sioned for this season, will be interspersed in the season, which ends Feb 28. (496 0600).

# Washington

Washington Ballet, Lisner Auditorium. Performances of Birds of Paradise, Apollo and A Night at the Ballet (Thur) (432 0200).

Chicago Repertory Dance Ensemble, Civic Theatre. Author Plannery O'Connor, raucous parties and bad dreams are among the inspirations of this popular local dance group whose mem-bers choreograph their own works. (902 1500).

## Tokyo

Tokyo Philharmonic Orchestra plays La Forza del Destino, per-formed in Italian by an all-Jspa-nese cast. Nikikai Opera, con-ducted by Michlyoshi Inoue. Tokyo Bunka Katkan (Tues, Wed) (370 6441).

# **SALEROOM**

### Record for very rare doll Sothehy's was among the mingham couple who bought a

records yesterday when a very rare Kämmer and Reinhardt Bisque Character doll, made in Germany around 1909 and one of only ten known to have survived, sold for £90,200 to the French dealer Madame Merny, who is planning to open a Museum of Childhood in Paris. The previous best for a doll was £67,100. There was keen bidding in the room for this 21 inch high hlue-eyed blonde

wearing a white nightdress. Earlier Sotheby's established another auction record when a tinplate clockwork ship, made by Marklin in Germany around 1904, sold for £39,600. The "Maine" was in excellent condition and far exceeded its £15,000 top estimate: it was the highlight of a morning session of toys and textiles which brought in £289,294, with 11 per

cent unsold. The ship probably returned to Germany as did another battleship, a steem spirit-fired model but with some replacements, made by Bing around 1907, and selling yesterday for £14,850. Another German artifact, a polyphon disc musical box of around 1900, with 42 discs, realised 26,380, as did a similar, with just twenty origi-

nal recordings. Happy vendors were a Bir-

bouse and discovered trunkfuls of pristine clothes from the 1920s and 1930s in the uncleared attic. The collection sold for £24,904, with a top price of £3,080 for a gold and silver lamé evening gown made by Vionnet around 1922. The unexpected boous will pay for plugging a leak in the roof. One major disappointment was the £300 which captured a

peasant dress costume. designed by Michail Larionov around 1921 for Diaghilev's ballet Chout; it carried a top estimate of £1,800. The only explanation for its cheapness was that buyers were dazzled by the reputation of Leon Bakst -the preceding lot, a harem cos-tumne for Scheherezade, cata-logued "after Bakst," doubled its estimate at £1,320.

Phillips also created records. It was holding the hest auction of illustrated postal envelopes for over 30 years and soon equalled the previous high for a pictorial cover wheo an anti-clerical scene of 1840, showing clergy and judges enjoying a punch up, sold for £8,250. The same sum secured a rare cover illustrated by Peter Hunter in 1843, which carried an upper estimate of just £2,000.

Antony Thorncroft

# FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 48Y elex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000

Friday February 17 1989

# Public pay dilemmas

THE THATCHER Government has refirmed the trade unions. abolished controls throughout the economy and privatised giant utilities. But it still lacks a convincing formula for determining the pay of its own employees. Comparability exercises are out of fashion, but the pay review bodies continue to make assessments, just as they did in the 1970s.

Overall, yesterday's awards were in line with expectations. Yet they will do little to ease chronic recruitment and retention problems in large parts of the public sector. Nor will they satisfy critics who argue that restraints on public expendi-ture, coupled with the revival of private enterprise, are grad-ually draining talent from the Civil Service, the armed forces and professions such as teaching and nursing. Young people who would once have jumped at these careers are increasingly chasing the larger monetary awards evailable in finan-cial services and other huoyant sectors. Such trends are further exacerbated by the charp decline in numbers of young

A natural response is that some shift of talent nut of the public sector was long overdue. It is a good thing that senior Oxbridge tutors no longer regard academic life or the Diplomatic Service as the most appropriate destinations for their brightest students. But once a pendulum hegins to swing it can be hard to control. The public sector lacks the prestige it once enjoyed and will have to fight hard for a fair share of the available tal-

### Market barons

This is especially true towards the lower end of the salary scales. The new barons of the labour market are clearing banks and building societles: the pay and conditions they offer moderately qualified young people in London and the south-east now set the pace for settlements in other indus-tries and - ultimately - in the public sector. The Civil Service is losing staff at twice the rate

are still fighting the battles of the 1970s. Public expenditure control is largely a matter of controlling public sector pay. in an era of high public bor-review scelerating inflation rowing, accelerating inflation and militant public sector trade unions, the importance of holding the line on public sec-tor pay could hardly be exag-gerated. Today, the situation is rather different. Public expenditure is falling as a share of gross domestic product and the Government is running a large budget surplus. Inflation has risen slightly, but it does not present a threat of 1970s proportions and is anyway being tackled through tighter monetary policy. tary policy.

### Employee calibre

The challenge for the public sector in 1989 is not to curb pay per se but rather to ensure that it can attract the calibre of employee needed to make a success of its ambitious social reforms, most notably in education and health. Mr Kenneth Baker, the Education Secre-tary, wants greatly to improve the quality of compulsory school education. He also wants many more teenagers to attend universities and polytechnics. On Wednesday he called for a large expansion of education for 16-18 year olds. At the Health Department, Mr Kenneth Clarke is pushing through far-reaching reforms that are likely to raise the demand for expensive health care and put upward pressure on the salaries of doctors and It is naive to believe that the

quality and evailability of pubduanty and evaluating to pho-licly provided social services can be greatly improved with-out a corresponding rise in the relative pay of groups such as teachers, nurses and doctors. A more positive attitude towards recruitment in the public sector will be required if the Government is to achieve the objectives it has set itself. Increased efforts to reward individual performance and to respect regional variations in living costs are clearly an essential part of the equation. But ministers should also it did in the early 1930s. This does not suggest that the state has yet become a competitive employer.

One reason is that ministers recognise that any future deterioration in the relative pay of public sector employees will be likely to undermine rather than advance their policies.

# Hungary's leap in the dark

MIKHAIL GORBACHEV has made it safe in parts of Eastern Europe, as well as in the Soviet Union, to think the unthink-able and to think it aloud. Thus, some of the monopolistic Communist parties of the region are examining their records as administrators and beginning to admit that neither their performance nor the system is much to boast about.

But the Soviet leader does not exactly make it easy for others to follow. The promised and actual reforms carried out in the names of glasnost and perestroika and the Soviet Union's own contested elec-tions next month might have seemed at least a working model for pluralism elsewhere. Yet on Wednesday night Mr Gorbachev wae suddenly reported to be pronouncing that a multi-party system in the Soviet Union would be "politically and theoretically

If that struck a discord anywhere in Eestern Europe, it surely must have been in Budapest. Hungary may not have ethnic and religious prob-lems nn a Soviet scale, but only last weekeod the central committee of its Communist Party abruptly decided to dis-mantle its political monopoly and introduce a multi-party system in time for elections next year.

## Courageous step

In several respects this was a courageous and sensible step with important implications for the rest of the Eastern bloc. It is courageous because the present party leaders, though they have insufficient popular support to underwrite real power, hold all its instruments and have no guarantee that in freely contested elections they could win them back. It is sensihle becanse the market in political allegiances is susceptible to the forces that apply in any other trading arena. Far better to let the competition, now existing in Hungary mostly as factions and interest groups, operate openly so as to enable its extent and depth to be measured.

The difficulty for the Hungarian party is that the flowering of an opposition now, however loyal, could put a brake on the plans for economic reform. This programme is bound to hring joh losses, higher prices and social discontent before reaping any rewards. The party leadership knows that if it is to achieve the necessary economic changes, it must come to terms with possible dissent.

## **Economic medicine**

But the party also knows that if the Hungarian people are to swallow an unpleasant economic medicine, they must be persuaded to take it. That is be persuaded to take it. That is why it now feels obliged to forge a coalition of interest with popular political groups, much as the Polish regime is doing by negotiating with the Solidarity trade union.

As the Polish experience shows, the process of political accommodation must be conducted with subtlety and from a position of strength. The danger is that the Hungarian

ger is that the Hungarian party, fractious and unprepared as it is for competitive democratic politics, has taken a leap in the dark which, with hindsight, may come to look foolhardy. The hurried decision to the target of the control of the contr sion to introduce a multi-party system, taken in advance of agreement on a new constituspurred more by a desire to stitch up an appearance of party unity than by any real consensus on the nature of tha

future political system. The confusion may be inevi-table while political reform is being drafted in such vague terms and with such little attention to detail. There is no apparent agreement on the ground rules by which the new parties are to organise, finance their activities, or campaign, nor on the role — "leading" or otherwise — to be played by

the Communist Party itself. But the undertaking of such a momentous step with so little apparent planning may also denote recklessness or desperation. The liberation of East European politics from the straitiscket of the Communist Party monopoly is very welcome and the Hungarian Com-munists are to be commended for taking the first step. But, as Mr Gorhachev's latest pronouncement implies, reform of socialist systems can have limits. Hungary is about to find out where they are - and the rest of Eastern Europe will be watching with interest.

# John Elliott examines Hong Kong's anxieties over the return to China

ontinuity, stability, prosper ity - and uncertainty. These are the issues in Hong Kong as the colony looks to 1997 when China will regain sovereignty,

when Cmna will regain sovereignty, so ending 150 years of undemocratic, but mostly stable, British rule.

The primary aim of Hong Kong's business-dominated 5.6m population is to keep China out of their affairs after 1997. They want to remain free to pursus their prosperity in one of the world's most buoyant economies. Democracy, traditionally a primary target for colonies, is of less immedi-ate concern to Hong Kong's people many of whom are refugees from the tyranny and economic misery of Peking's earlier political regimes. "People are afraid of 1997 and ths

Communist way of doing things, says Mr Louis Cha, owner of Hong Kong's Ming Pao newspaper group and an important political figure. "But co-operation with Peking is more important than confrontation. The way to keep China out is hy being useful to Peking. We can't keep them out by force or any democratic struc-

"I was educated in Australia. I understand democracy and want it for Hong Kong." says Mr Vincent Lo, at 40 one of Hong Kong's most successful, sometimes controvereial, and politically influential second-genera-tion entrepreneurs. "But I don't want democracy for its own sake. I want it for the stability and prosperity of Hong Kong." As he talks, Mr Lo is sitting in his stylish harbour-front Shui On Centre, an office development that has has rocketed in value from HK\$600m (£44m) to HK\$2.5m or more in two years. "I think that if we remain prosperous and do not go for too much political confrontation, China will stay ont."

China will stay ont."
In a minority, but with vocal support from students and some professional people, there is an active liberal lobby which rejects such arguments. Led by Mr Martin Lee, a prominent lawyer and member of the colony's Legislative Council, it believes that democracy through early universal suffrage is tha only real protection against China.

These strongly contrasting views

These strongly contrasting views will come into sharp focus in the next few days when Peking publishes the second draft of the Basic Law which will govern what is to be called the Special Administrative Region (SAR) of Hong Kong from July 1 1997.

The draft was presented to a standing committee of the National Peo-ple's Congress in Peking on Wednes-day and is expected to be approved by a plenary session of the committee early next week; it is likely to be published on Thursday. The draft will be widely condemned

because it makes such slow, hesitat-ing progress towards democracy and universal suffrage that the stability wanted by conservative businessmen could be upset by liberal protests. This could lead to destabilising over-reactions by Peking officials, who have shown little patience with Mr Martin Lee's followers when they staged hunger strikes and hurned copies of the Basic Law's first draft.
However, Peking appears to recognise that the new draft is not adequate, although no one can predict how far it is prepared to move during a second five month round of consul-

Mr Ji Pengfei, chairman of the law's ing committee and d Peking's Hong Kong and Macau Affairs Office, is reported to have told the committee on Wednesday that it was "necessary to listen to different views and seek compromise before making necessary amendments and adjustment." He said the future political structure would aim at maintain-ing stability and prosperity while pro-

tation that starts next week.



Ji Penglei: chairman of the drafting committee for Hong Kong's Basic Law

# Learning to live with big brother

moting the development of a capitalist economy and gradually improving the democratic system. However, Mr Ji's office is regarded

as being on the liberal wing of Peking politics. A harder line is often heard from Xinhua, the New China News Agency, whose office in Hong Kong is China's de facto embassy.

Nevertheless, Peking wants a stable Hong Kong and must also want to quieten the fears that induced 45,800 people to leave last year for Canada, Australia, the US and other countries. This brain drain could turn into a torrent if the tens of thousands who already have foreign passports decide the prospect of 1997 is intolerable. The Basic Law debate hinges around when universal suffrage

should be introduced for the election of the SAR's new legislative council and of the chief executive who will take over from the British governor.

In the final drafting session of the

new version last month, conservative Hong Kong businessmen lost patience with their liberal opponents and backed stiffer clauses so that universal suffrage would not be introduced till 2011-2012 at the earliest, and then only subject to a Peking-controlled That went too far for most interest

groups, including leading Peking drafters, and there is now talk of compromises. These could bring the date back to 2007, possibly without a referendum or at least without a referendum or at least without a referendum.

as substantial changes by Peking on issues such as the SAR's legal jurisdiction and autonomy. Here, subject to some clarifications, it has been established that Hong-Kong will interpret its own laws and will not be affected by China's legislation apart from a short list of matters such as the country's capital and national

China's ability to block laws has also been cut back to matters such as defence and foreign affairs, and its right to interpret legislation has been significantly reduced, although the crucial question of the composition and place of the final court of appeal has yet to be settled. International human rights covenants have been included, though some lawyers want the wording improved. Peking has also accepted that the legislative council elected in Hong Kong in 1995 will continue through to 1999, so

But the UK government has told Peking that it will be breaching its "autonomy" pledge if it does not remove to an advisory appendix two clauses which aim to force the future government to "balance its expendi-ture and revenues and avoid deficits." The fear widely held in Hong Kong, however, is that, somehow or other,

China will eventually contrive to stop democracy ever happening and that it will slowly eat away at its commit-ment in the Sino-British Joint Declaration of 1984 that the new SAR will dum that Peking controls.

In other areas Hong Kong is broadly happy with what are regarded by the country, two systems."

The UK is proud of having wrung what support there is for autonomy and capitalism out of Peking. But it is widely condemned for not having introduced democratic elections earlier in its 150 years of rule. In particu-lar it is criticised for a white paper published just over a year ago which delayed the gradual introduction of direct elections for the colony's cur-rent legislative council from last year

The UK's tactics are likely to be reviewed when Sir. David Wilson, Hong Kong's Governor, meets Mrs Margaret Thatcher in Downing Street next week. They will also be exam-ined in an inquiry by the House of Commons Foreign Affairs Committee which is planning to hold public hearings in the colony in April.

Top civil servants in the colony draw a distinction between the UK's freedom to innovate in Hong Kong. which is being returned to China, and in other colonies which have acquired independence. "We are not moving towards independence, and rapid moves towards a one-man one-vote system would not be popular here. That is difficult for many Westerners to understood but he a fact of life." to understand, but is a fact of life," says Sir David Ford, the colony's Chief Secretary.

"Government by consensus has served Hong Kong people well. In dealing with the thorny question of the speed of political reform, we believe we must try to find a common ground and not simply impose precon-ceived notions of what is right for the people of Hong Kong."

Officials have for years been acutely conscious of their limited freedom of action. The unavoidable, and at times threatening, presence of China — on which Hong Kong relies for more than half its water amongst other things — has always been an inhibiting factor.

Economically the relationship is now a constructive one. Hong Kong companies use easily available land and cheap labour in the southern Chinese province of Guangdong to do internationally competitive labour intensive work. A Chinese official said this week that more than am Guangdong this week that more than 4m Guang-

dong workers are now producing goods for Hong Kong companies.

But there is a perpetual government fear in the colony of any innovation which might stir emotions and spark riots. This is a very volatile community with people who over-react very easily," says one experienced
official, "People live in tiny flats and
devote their cramped lives to working
hard and making money. They live on
their persons." their nerves.".

Consequently Hong Kong is a tightly policed territory. Memories of earlier riots by taxi drivers, harbour earlier riots by taxt drivers, harbour-feary passengers, and bank customers, curtail officials' freedom of manocu-vre on a wide range of policies— including, for example in recent months, the timing and size of increases in taxt and underground railway fares.

The government also refuses to import labour, despite serious short-ages of workers, for fear that the migrants could cause social unrest. Similarly, one of the reasons for not ending the link that pegs Hong Kong's currency to the US dollar is that it cushions the local dollar from pressure — and from possibly violent, runs on banks and the stock market — if confidence slumps between now and 1997.

These issues partly illustrate why the government is for its own reasons loath to release the possibly disrup-tive force of full universal franchise into such a fragile community. There is also a fear — which colours the 1997 universal suffrage debate as well — that the introduction of direct elections would force the Chinese Communist Party, backed by the 200,000-strong Hong Kong Federation of Trade Unions, into active politics. That it has sometimes been feared. That, it has sometimes been feared, could lead to confrontation with the pro-Taiwan and anti-Peking faction. In 1991, Hong Kong will have its first direct elections when voting takes place on a geographical basis for 10 of the otherwise appointed or indirectly elected 55-member Legislative Council (Legco). This is leading to the formation of Legco's first political party by Mr. Stephen Cheong, a businessman and the council's second most senior member. Mr Cheong argues that parties are necessary to rationalise relationships between the council and the executive, although there are no obvious policy splits in the council at present on any issue apart from the conservative-liberal

debate on democracy.

"You need parties to pull people together," says Mr Cheong, who has raised HK\$ 10m in husinessmen's donations to launch his party in the coming months. His move is likely to spark formation of a liberals' party, and may activate the Communists. How these parties - and the Basic Law debates — develop in the next few months will have a big impact on the domestic and international confidence on which Hong Kong's continu-ing prosperity depends. "If we were an island 250 miles away from China, we could tell Peking we want indepen-dence," says one prominent political figure. But we are not. We are part of tha mainland and we must learn to live with that."

### Our man in Tehran

■ Nicholas Browne, the British charge d'affaires who along with his staff is being given a hard time in Tehran, at least knows something about the place. Now 41, he joined the Foreign Office in 1969 and after a spell working on South America was picked to learn Persian, first at the School of Oriental and African Studies in London, then in Isfahan. Browne was third then second secretary in the Tehran

Embassy from 1971-74. He worked at the Cabinet Office, specialising in Iran, dur-ing the turmoil of the late 1970s and was chosen by the Foreign Secretary to write a Foreign Office paper on the lessons of the Iranian Revolu-

When Lord Carrington, as Foreign Secretary, reached the Rhodesian settlement, he sent Browne off to help Lord Soames as Governor of the country in the transition to an independent Zimbabwe. Browne stayed on as Head of Chancery in the newly estab-lished High Commission.

More recently he was responsible for environment policy at the British mission to the European Community. There he came to know William Waldegrave, then s young Environment Minister, and now at the Foreign Office looking after the Middle East.

## Ridley's rise

■ It was hrave — one might almost have said foolhardy — of Conservative Central Office to put up Nicholas Ridlev. the Environment Secretary, to do a full frontal party political broadcast on Wednesday. In fact, he pulled it off with great aplomh, explaining both the costs and benefits of environmental policy. I used to think that he was only an outside runner for the

succession to the Chancellor-

that the Prime Minister would

ship, if only on the grounds

**OBSERVER** 

prefer to hring on someone younger. Given that the other candidates have not been cov-ering themselves in glory of late, he must now be a front runner. Ridley is 60 today.

# Credit limit

■ Citicorp's Tokyo subsidiary has launched what must be the ultimate credit card in association with Nmonbashi, a department store in the city. The card is issued to wealthy

Japanese who go with it to Ninonbashi's seventh floor, there to watch brochures and video films of real estate in California and Hawaii. Should any of the properties appeal to them, they can sign up for an individual showing. If a deal is clinched, the purchaser can charge his or her new home to a Citicorp plastic card. The credit limit is \$500,000.

### Toy trains A pleasant lunchtime spent at the Model Railway Club,

near King's Cross. It is far from true that toy trains are out, though you are not sup-posed to call them that. "Partly," said one enthusiast, "it's the great British nostalgia." Bot it seems to be a bit more than that. All sorts of people – dentists, barristers, businessmen – gather to assemble new model tracks, rolling stock and landscapes down to the minutest detail. There is a model of the lines going out of King's Cross, known as Copenhagen Fields, that has taken five years to build so far and will take at least another five to complete. Another man said that on his retirement he had started building a model railway in his garden and had his friends in to play with it at the week-



"I forget — was 1,998,000 unemployment psychologically uplifting in 1981?"

This year's International

Model Railway Exhibition—
the biggest in the world - will
be held at the Royal Horticultural Society's Halls in Westminster over the Easter holi-days, and opened by the Reverend W. Awdry, author of the Thomas the Tank Engine books. British Rail's Network SouthEast is a spon-tor After all it has a sponsor. After all, it has an interest in getting a sympathetic hearing for a real line that might be built through Kent.

## Paris fireman

E Christian Blanc's new appointment seems unlikely to be much more restful than his last. Blanc was the man sent to negotiate a ceasefire in France's south Pacific col-ony of New Caledonia. He is about to become the new headof Paris's public transport authority, the RATP.

A professional civil servant, but also a Socialist Party member of long standing, Blanc -- has been nominated to the

RATP's board in place of its current chairman Paul Reverdy, who has been at odds for some months with the Transport Minister, Michel Delebarre. He is expected to be named chairman by the Council of Ministers in the

next few weeks. Blanc worked closely with the veteran Socialist, Edgard Pisani, first at the European Commission and then in New Caledonia in 1984-85. He went back to the island territory last May, just after the re-elec-tion of President Mitterrand and the resignation of the gov-ernment of Jacques Chirac, at the head of a special mission aimed at calming the open warfare between the indigenous Kanak population and the "Caldoches" of European

origin. He succeeded beyond all expectations, hringing about the Matignon agreement, which laid the foundations for a ten-year devolution experi-ment, to be followed by a vote for or against autonomy. The 46-year-old Blanc's nego-tiating skills will be put to the test at the RATP, whose 39,000 employees bring it to a strike-bound standstill on average every two years, usually in

### Afro-Irish Following the note the other day about a Palestinian trader

in Jerusalem telling a British tourist that the Irish are better than the English, a reader in Sussex reports a similar experience in South Africa 30 years ago. Dressed in typical South African kit, he stopped in a village in Natal A Zulu eyed him intently and said: "You are not South African, are you?" On being told that he was Irish, the Zulu insisted on shaking his hand. "The Irish are the Zulus of England," he exclaimed.

Let's do it Sign at a recent international conference: "Translators do it simultaneously."

1992? Ikke noget problem, min herre! BRITISH VITA PLC British Vita PLC, Middleton, Manchester N24 2DB. Tht; 061-643 1133, Telas: 65/673, Fee: 081-653 5411. INTERNATIONAL LEADERS IN POLYMER, FIBRE AND PARISHEMS, TRANSPORTATION, APPAREL PACKAGING AND ENGINEERING INDUSTRIES

ritish Tories would wake up sweating in the night if the opposition parties came together under one label. A few more polls like yesterday's Gallun

would do it.

The poll's really interesting suggestion was not that support for the Government had fallen by a couple of percentage points in one month, but rather that support for the centre per-ties — the former Alliance — had fallen much more sharply, while sup-port for Labour shot up. The net result was to narrow the gap between Conservatives and Labour to a statis-

Conservatives and Labour to a statis-tically insignificant 1% points.

Of course you should never take one poll result to mean anything in particular. There were similar flurries in April and June last year. These were presumably brought about by the absurd antics of the centrist politi-cians as they broke what once seemed the absurd antics of the centrist politicians as they broke what once seemed to be the most promising force in British politics into competing fragments. This year could, in theory, be different. Mr Neil Kinnock, the Labour leader, is steadily divesting his party of the policies that drove so many middle class Labour supporters out to the Alliance. He is now hoping to drop unilateral nuclear disarmament. If he publicly severed the constitutional connection between the party and the trade unions, and risked his own job in order to bring that about, own job in order to bring that about, Conservatives might be sitting bolt upright in their beds. The reason that they all still sleep so soundly is that they find it difficult to believe in the aeronautical potential of pigs.

In the real world some of Britain's pressure-groups and lobbylsts are adjusting to life in a one-party state. For there is seldom much point in arguing with Mrs Margaret Thatcher and her ministers. They steamroller their plans through anyway. They put through the poil tax. They are encouraging schools to become self-governing. They are still trying to privatise the water supply even though there is widespread public disquiet about the whole plan. (Some members of the Cabinet are wondering whether it would be better to accept a technical cannet are wondering whether it would be better to accept a technical knock-out from the European Commission, which would mean that the Government could go ahead with the water bill but hold back on the stockmarket launch.) In short, the Thatchwitts are a circular terral to the stockmarket launch.) In short, the Thatchwitts. erites are a stubborn bunch, and, despite yesterday's Gallup result, the sensible assumption is that they will win the next general election.

That leaves only two practical options for campaigners. They can work and pray for the day when the Government falls. If life seems too short for that, they can try to improve whatever the Toyles do, by meeting them on their own grand

POLITICS TODAY

# Rolling with the Tory punches

By Joe Rogaly

Frank Field, former Director of the Child Poverty Action Group and now Labour MP for Birkenhead and chaircaptur Mr for birkenhead and chairman of the House of Commons Social Services Committee. Both of them are regarded with respect in No 10 Downing Street; both are the kind of people who would bring middle-of-the-road woters back to Labour in droves if the party had the intelligence to place them in the forefront of its shop window.

Ms Slipman believes that talking to the Government in its own language is the only—she stresses only—way to bring about improvements in the provisions for one-parent families, which it is her business to do. This may be no more than common sense, but it is represented to the common sense, may be no more than common sense, but it is remarkable to those of us who can remember the heated passions of the 1960s and 1970s, decades in which politics meant confrontation and the frequent utterance of words like "unacceptable" and "never".

Few contemporary social phenomena are more susceptible to ideological theorising than the sudden arrival of an army of single-parent families.

of an army of single-parent families. Easy-divorce and a change in social attitudes towards birth out of wedlock attitudes towards birth out of wedlock have led to an explosive growth in the numbers of lone parents in most Western countries. There are now lm-plus such families in Britain. In the US the New Right has a library-full of learned papers on the subject. For example, they argue about whether it is good for never-married, usually black, mothers to receive welfare cheques, or better for them to be obliged to take jobs, probably as wait-resses or cleaners.

The Heritage Foundation, a powerful centre of New Right thinking, has just published a wish-list of actions it thinks President Bush's new administration should take. It wants welfare

tration should take. It wants welfare payments withdrawn from teenage mothers who leave the family home; its rationale is that the extended family will provide child care while the errant teenager goes out to work. Britain's Thatcherite think-tanks derive much of their inspiration from

whatever the Tories do, by meeting them on their own ground.

The latter approach has been adopted by some surprising people. One is Ms Sue Slipman, a formerly Communist president of the National Union of Students who crossed over. The to the Social Democrats. She is now Director of the National Council for parenthood, and homelessness (all parts of the same puzzle) is being



studied by the Prime Minister'a advisers. Should the harder-edged Heritage Foundation policies be applied here? The Slinman response is to start with the welfare system as reformed by the Government and argue for var-ious improvements. Some of what she says might receive a sympathetic hearing from Mr John Moore, the Sechearing from Mr John Moore, the Secretary for Social Security. He had a poor 1988, but is back in good health, relaxed and even taking holidays. He did make the pilgrimage to the US after responsibility for health was taken from him last year, but it would be surprising if he adopted a wholly uncompromising New Right stance on one-parent families. He is aware that not much more than a fifth of Britain's single parents are classed as "never married"; it is not quite clear how many of those are technically single but actually living as a couple. Most lone parents have lost their part-

ners through divorce, separation, or death. The obsession of some policy advisers with teenage mothers in council flats does not fit the facts.

Again, it is thought by Mr Moore to be impossible to persuade Conservatives as a whole to accept a policy that would oblige mothers of children under five to go out to work; nor would he wish to do so. It was the supposedly flint-faced Thatcherites who introduced a child-care allowance of £50 for single parents who under-take employment training; it is the National Council for One-Parent Fam-

ilies that has pressed for the £50 to be made more accessible to parents of children under school age. Mr Moore would have the state chase errant fathers for maintenance payments; Ms Slipman would not demur. The Government is aware that there is already a growing need for working-age women, mothers

included, to join the workforce. This is the result of the fall in the number of new entrants to the jobs market as the post bahy-boom generation leaves the schools. The market is respond-ing, as can be seen from the strenn-ous efforts being made by clearing banks and department stores to accommodate them. The provision of a company-subsidised creche is coming to be seen as a sign of intelligent personnel management.

This is an opportunity for the Department of Social Security. It is preparing papers on how to make going out to work more attractive for single parents. Additions could be made to family credit payments for those in work. Extra earnings from, say, part-time work could be "disresay, part-time work could be "hisregarded" in calculating income support (welfare) payments from the state. These approaches would more surely reach the poorest candidates than would President Bush's formula of tax relief for child care. It is not possible to the possible than the care that Mean and the same than the same transfer. to say what Mr Moore will win Trea-sury approval for, but a policy paper is likely to emerge during the sum-

mer. The Department of the Environ-The Department of the Environment might contribute a tough-sounding paragraph or two to such a paper. One possibility, canvassed by some advisers, is that the link between getting pregnant and being allocated a council flat might be broken. This sounds like the Heritage Foundation at work, but then the transatlantic ideological cables are still humming. I suspect that Mr Moore would apprecisuspect that Mr Moore would appreciate the intention, which would be to remove a perverse incentive to innercity teenagers to have children in order to gain accommodation. Even

order to gain accommodation. Even so, the Department of Social Security would doubtless find itself having to make some provision, perhaps in hostels, for the worst cases.

The challenge for Labour remains the same. Its own public-housing estate supporters are often outraged at the idea of "queue-jumping" by pregnant teenagers in search of a new flat. A simple pre-Thatcherite fulmination against the Tories for cutting the link might not win the political argument. A throw-money-at-it solution might be equally unpopular. Yet tion might be equally unpopular. Yet a study of the details of existing and proposed policies shows many areas in which Labour could offer a more "caring" package than the Conserva-tives are ever likely to.

Mr Field understands this kind of thinking. When he helped launch "Full Employment UK" on Wednes-day he pointed out that if the Government did not improve its existing employment and training policies in the basically sensible manner suggested, the Labour Opposition would have an excellent case to put before the voters, "Full Employment UK" accepts a form of what Ameri-cans call "workfare" in return for a state acceptance of a goal of full

The Labour Left would presumably call this kind of approach a sell-out. Those who want to win might see it as rolling with the punches. When you do that, it is often your opponent who is floored by a loss of balance. LOMBARD

# An export bank for Britain

By Peter Montagnon

THE HUGE losses revealed by the Export Credits Guarantee Department (ECGD) in its lat-est accounts could hardly have come at a better time. They provide an extra excuse for winding np the

excuse for winding up the department in its present form — a task which is becoming imperative, though for reasons entirely unrelated to the overhang of developing country debts which gave rise to the deficit in the first place.

Quite how official export credit agencies will fit into the single market of 1992 has yet to be established at European

be established at European Community level, but it has belatedly dawned on the export credit insurance sector that 1992 could make the ECGD an anachronism.

anachronism.

Technically, there may be no such thing as a British export any more, only European exports. Under its present structure, the ECGD risks being unable either to live up to its charter obligation to sup-port only British exports, or to expand those activities which are now profitable.

It needs to be reconstituted

in a way which would both permit continuing support to UK industry, and allow its own skills - particularly in the short-term export credit insur-ance sector – to be fully exploited in a pan-European

As things now stand, 1992 could pose a serious impediment to the expansion of the ECGD's short-term insurance division, just as turnover is at last growing rapidly in answer to its new rapid response sys-tem for buyer credit insurance. Most of the risk covered by this division is commercial rather than political, and much of its turnover derives from insuring exports destined for

Europe. As an arm of Government. the ECGD might well be barred for competition reas from supporting UK sales to Europe after 1992.

It would certainly be prevented by its own charter from expanding into Europe and picking up new business there. Yet European private sector insurers are already eyeing the UK market in the light of 1992. This is a compelling argument for separating off the

ECGD's short-term insurance

division and steering it as rapidly as possible towards private sector ownership. It would then be free to use its oew, rapid response skills to com-pete for credit insurance busi-ness throughout the European Community.

Such a recommendation may yet emerge from the still incomplete internal report on the ECGD's future, now being compiled by Mr Bob Kemp, one of its former senior officials. But it leads on to another difficult question — the question of how to deal with the loss-making project ingurance business. ing project insurance husiness, which deals mainly with the developing world and covers difficult political risks.

The problems of the project insurance business should, bowever, be seen as an opportunity rather than a calamity. They open up the debate to one idea which is far too radical to be considered seriously in better times. This is to reconstitute the business into a long-term Export Bank which could freely exploit the capital markets without any explicit Government guarantee to raise

cheap export finance. Its structure could be modelled on Swedish Export Credit Corporation, which is under joint state and commercial bank ownership, and has managed to notch up sizeable earnings from its money market operations in recent years.

Some Government guarantees would, of course, remain necessary to provide further backing on credit to particularly difficult markets, but they could be used much more sparingly than at present, and the Government could expect some financial return from its holding in a profitable Export

Eventually the function of providing such guarantees might pass to Brussels anyway. It will be hard, after 1992, for EC member states to justify national guarantees available only to their own exporters.

With European arrangements in place, the UK Treasury would be happily out of the direct guarantee business altogether, but with an Export Bank in operation, Britain would still have a semi-private institution dedicated to the

# NHS spending

From Mr Ian Thompson.
Sir, John Wells (Letters, February 11) disputes the Government's claims that greatly increased resources have been provided for the National Health Service since 1979. To do this he uses statistics "adjusted for inflation," where actual expenditurea are delated by a wage and price to the real output from the NHS has increased more slowly deflated by a wage and price index specific to the NHS.

If he had used a general inflation index he would have revealed a much greater increase in real expenditure. Between 1979 and 1987 the

input has been restricted. Ian Thompson, 15 Albany Court,

## Clear water required

From the Chairman, Severn-Trent Water. Sir, The last week has seen a number of "water" features in the Financial Times, some of which seem to me to be based on misconceptions.

on misconceptions.

Both your leader (February 11) and Mr Humphries' article (February 7) suggested that water privatisation would be better modelled on the statutory water companies, controlled by profit and dividend rather than by price.

Surely it must be obvious that this outdated method of control provides no protection to the customer in terms of

to the customer in terms of price, and no incentive to the company to be efficient? It is a recipe for cost-plus pricing of

the worst sort.
Mr Humphries goes to great lengths to argue that the Government is selling assets which were in some way the property of local authorities and their ratepayers. It is worth men-tioning that in addition to taking on the assets and the responsibility for the services, the water authorities took on the relevant debts.
The late Harold MacMillan's

"selling off the family silver," referring to privatisation in general, failed to reflect the fact that selling off the family silver is a perfectly respectable thing to do if you use the proceeds either to pay off the family debt or to build on an extra bedroom to the family house.

The proposed regime for privatisation of the water industry is intended to ensure that the price to the customer can be seen to be justified, that the demands of the law and of increasing standards of service are properly met, and that necessary investment takes place.

For this to happen, it needs to be generally accepted that expenditures required for the achievement of ever higher standards have to be paid for. much quoted statement about

standards have to be paid for, and that there are only two pockets from which funds can come: the customer's or the taxpayer's. In the case of water, both pockets are in the same pair of trousers. J.G. Bellak,

destruction or degradation of valuable wildlife refuges. Can Mr Watts reassure us on

this point, or are we to expect the maximum possible profit to

be squeezed out of water com-panies' assets, for the benefit of shareholders and to the loss

of the public at large? S.R.J. Woodeli

Severn-Trent Water, 2297 Coventry Road, Sheldon, Birminghan

# Wildlife refuges at risk that privatisation will lead to sales of such land to the high-est hidder, leading to eventual

From Mr S.R.J. Woodell Sir. Mr Roy Watts (Letters, February 11), extolling the advantages of water privatisa-tion, states that new regulatory controls imposed on Thames Water pic will give greater protection to customers and environmentalists than they enjoy today.

Does this protection extend to the areas of land owned by Thames Water and other water authorities, in excess of their needs? Conservationists fear has increased more slowly

than the resources put in. They do not tell us that resource

mental and employment objec-Examples of the types of investment that flow from this decision-making context are:

London Underground's

 British Rail's reliance on excessive overtime working by signals staff prior to the Clapham rail disaster;

The dismembering of the

### 'Transport planning decisions are so poor

From Mr Gavin Smith.
Sir, Joe Rogaly's article on transport planning ("State planning fights back," February 10) started well, but lost its way. The real question is not whether the Government makes planning decisions, but why the decisions made are so

It is clear to many of us that there are structural reasons for this. These include a lack of willingness to involve the consumers of transport services; an adversarial approach to labour relations; a fear of long-term decisions on the part of public agencies; and a lack of coherent national environ-

installation of automatic ticket barriers coinciding with New-castle Metro's removal of same (staff are the more efficient London red bus network;

The undue haste of Channel

Tunnel plans. In each case decisions are being made to the best of the ability of the authorities concerned; in each case the out

come is wrong.

At the same time, other decisions are not being made. For example, there is no planning for the re-introduction of mod-ern trams or trolley buses onto London's main radial roads.

The net result is: Poor industrial relations; Short-term book-balancing without long-term gain;

• Excessive "externalities" (for example, pollution);

• Unacceptable safety stan-

• Inadequate and unequal consumer services.

Not the least important is failure to achieve a political consensus. Until the structural defects of the government'a decision-making context are faced, better investment deci-sions will not be forthcoming.

Campaign to Improve London's Transport, Research and Resources Unit, 99 Midland Road, NW1

# Chunnel cri de coeur

From Mr Angus Dunn.
Sir, I suppose there is some justification for Mr Bill Parker (Letters, February 13) missing every single point in my letter (February 2); he is, after all, shooting from a distance of over 4,000 miles.

over 4,000 miles.

Whatever his aim, I would acknowledge that if 101 East 52nd Street in New York City lay within 600 yards of the threshold of the main runway at Kennedy airport (which would approximate, in terms of noise, what I would face if a particular high speed Chunnel rail route is chosen) be would have some locus standi in mak-

ing his comments. But I don't think that is the case. The value of my house has certainly increased as a result of the completion of the M25. It had also increased (until British Rail came along) as a result of being in a unique and unspoilt environment, which is increasingly rare. This was why I moved here 10 years ago. Its value has also undoubtedly Dower House, benefited from the policies of Margaret Thatcher, from the Tonbridge, Kent.

repeal of the Corn Laws (1846) and from the Norman invasion

None of these seems to pro-vide any justification for a third party to cause damage to me or, randomly, to thousands of others, without compensa-tion, nor needlessly to despoil onr environment. BR's amounced plans will certainly do all of this. I am convinced not only that BR's plans could be improved, but that they will be. Kent is

as convinced as Mr Parker that improved communications between the UK and Europe are vital. But because it is our back yards which are under threat, we insist that the work be done well, and that those harmless so far as possible. When hurt, we all have a tendency to squeak. That may be reprehensible — but what-ever it is called, it cannot be

called "hypocrisy." Angus Dunn,

"Business with 20 Italian companies. 20 locations. 20 different ways of looking at problems. How many banks handle your business?"

- Actually, only one, Lee.
And for me, it's Credito Italiano, - Credito Italiano? Yes, hmm. I know they're big, lots of branches

Nearly 500 to be precise, and what's more important is exactly where they are. Geographically speaking they're better distributed than any other single Italian hank.

Italian bank.

Really?... interesting... but what kind of services do they offer? Have they got what we need?

That's the point, Lee. They're just what we're looking for to sort out our business in Italy.

O.K., but give me the details.

One example... ECO Italy... Electronic Collections on Italy. One account in whichever branch is best

for us and all our business - wherever it comes from - is handled through that branch. Using telematics, I hope... we all know what the mail Yes. Don't worry, it's fully computerized...
 and another good thing is we can get our up-to-date position in Italy, with full details, right here in the

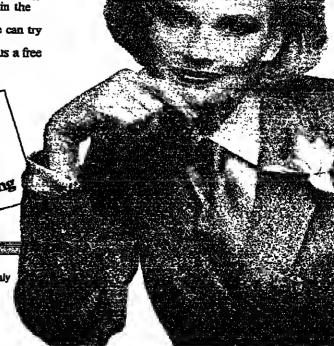
office, and any time we like. Not had eh? - O.K. Henry, sounds good, but any chance we can try this service out? - No problem, Lee. Credito Italiano will give us a free

demonstration. Great. Why don't we give them a call, then?

Er... well... in fact, I already have done. They're expecting us tomorrow.



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# FINANCIAL TIMES

Friday February 17 1989



# US 'must avoid Nato clash with Bonn'

By Lionel Barber in Washington

THE US must avoid a soowdown with the Bonn Government on introducing new short-range nuclear weapons in West Germany, in the interests of preserving Nato unity, a distinguished group of US defence experts said in a report yester-

day.

The group - which includes former defence secretaries in the Nixon, Carter and Ford administrations - said astute Soviet diplomacy and the receot INF treaty had placed "unprecedented" strains on Nata Medemicing short-range Nato. Modernising short-range nuclear missiles quickly or eveo at all "is less important

than maintaining a common view of these matters in the Alliance," the group said. Elsewhere in its report\*

which has the endorsement of the new national security adviser, Mr Brent Scowcroft, the group calls for a greater role for France in Nato, with increased joint planning as well as preparation for "a logistic line of communication" for US and British reinforcement to land in the event of a Soviet

The group's conclusions on sbort-range nuclear weapons tallies with Chancellor Helmut

afford to delay a decision on replacing ageing Lance mis-siles until after the 1990 West German elections. Last week Mr Kohl said an early decision, sought by Britain and the US, would give the wrong signals to the Soviet Union and East-ern Europe at a time of improving East-West relations. Mr Melvin Laird, President

Nixon's defence secretary, said Mr James Baker's tour of Nato countries was premature and that the Bush Administration's position on ehort-range mis-siles had not been properly thought out. The group stressed that modernising Lance would be an effective way of showing an appreciation of the indispensable role of nuclear weapons" and would pre-empt a Soviet proposal for denuclearis-ing West and East Germany.

On other Nato questions, the group, led by Mr Melvin Laird and Mr Harold Brown, defence secretary in the Carter Administration, said the US should

would include defence minis-ters and would partly replace the semi-annual meetings of the Nuclear Planning Group. Separately, defence and foreign ministers should meet annu-ally to co-ordinate policy more

The best news yesterday from Storehouse, amid the mayhem

of write-offs and mark-downs,

was that it has no immediate

plans to expand. In the latest

or support services, except for design". Now the various brands – Mothercare, Habitat

and so forth – are to be more clearly differentiated, with head office restricted to mundane tasks like stock control and property management. The latter includes such initiatives

as swapping brands from site to site; but here, as elsewhere, the problem is the ungainly

BhS empire, confirming the overall impression that the new strategy is a gallant attempt to make the best of a bad job.

The trouble is that it may all

The trouble is that it may all be too late. In essence, Storehouse appears to be undertaking a cosity rethink over a two or three year period which will see the industry going through its: worst downturn in recent memory. The fall in pre-tax profits this year may be over 40 per cent, to perhaps £65m before exceptionals, and it is quite unclear whether there will be any recovery in the fol-

will be any recovery in the fol-

will be any recovery in the fol-lowing year. As to why the shares should be at 170p, or nearly 20 times earnings, there is no saying; it is certainly not obvious why anyone would pay such a price to inherit Store-house's problems.

tide them over a year or two of

corporate tedium with a fatter

payout. BP was quite right to

which would have made fur-ther inroads into its dividend

cover, and would not have

helped it to cut gearing from 50

Elsewhere, the report calls for new Nato proposals on consecretary in the Carter Administration, said the US should state unequivocally that it is not considering "now or in the foreseeable future" unifateral cuts in its forces in Europe.

Its report also called for a new Nato committee on conventional forces. The panel for new Nato proposals on conventional weapons, where existing Soviet superiority should be corrected or ended by asymmetrical reductions.

Toward Consensus in Foreign and Defence Policy, Johns Hopkins Foreign Policy Institute, 1619 Massachusetts Avenue (NW), Washington DC 20036

# Pentagon's brass hats waiting for Tower

Lionel Barber on the power vacuum in the leaderless US Defence Department

THE most telling moment during President George Bush's budget address to Con-gress last week came when the television cameras paned to the glum, brooding face of Admiral William J. Crowe, chairman of the Joint Chiefs of

The nation's top military man has plenty to complain about. Mr Bush's budget envisages that Pentagon spending for the next fiscal year will be frozen in line with inflation. Most observers believe that the Democrat-controlled Congress will turn this into a real cut.

Even more galling, the Peutagon had next to no influence on the budget numbers because of the enforced absence of Mr John Tower, Secretary of Defeoce-designate.

The brass bats have been waiting since mid-December for Mr Tower, and by most peo-ple's reckoning they will have to wait a good deal longer. Republican and Democrat Sen-ators seem unable to dispel their doubts about Mr Tower's fitness for the job. A Senate armed services committee vote could come uext week, but the latest talk suggests a private session of the full Senate before the confirmation vote – providing Mr Tower does not withdraw in the meantime. In the early days of a new Administration, it is vital to get off to a fast start. The Penagon has hit the ground walking. It is currently being run by a lawyer-cum-administrator, Mr William Taft, who served as deputy defence secretary in the Reagan Administration but who is deferring on all military matters to the increasingly

rity adviser. Most of the key middle-ranking jobs, those that drive the wheels of the bureaucracy, have yet to be filled or confirmed. Mr Robert Costello, the Pentagon's procurement chief

Lockerbie

bomb may

have been

THE DEVICE which destroyed

the Pan Am 747 over the Scot-

tish town of Lockerbie on

December 21 is believed to

have been hidden inside a

radio cassette player which "the balance of probability"

suggests was in luggage origi-nating in Frankfurt, West Ger-many police investigating the

disaster said yesterday.

The disaster claimed the lives of 259 people on board airliner and 11 people in Lock-

However, the piece of lng-gage has not yet been identi-fied and there is insufficient

evidence to establish the iden-tity of the individual or group

responsible for what the police

describe as a multiple murder.

reached from meticulous

recoostruction and examina-tion of the aircraft and baggage

container in which the explo

sive device was located. This was reconstructed from scraps

of wreckage scattered over an area 40 miles loog.

These conclusions were

in radio

By James Buxton

in Edinburgh

influential Mr Brent Scowcroft.

President Bush's national secu-



Admiral William J Crowe (far right), chairman of Joint Chiefs of Staff, has waited since December for John Tower (above), Defence Secretary-designate. Meanwhile, the Pentagon defers on military issues to Mr Brent Scowcroft (right), national security

who oversees a \$300bn (£170bn) annual budget, is unlikely to stay on, but his replacement

remains uncertain.
"We just don't know who to deal with or talk to," com-

plained one official on the

House armed services commit-

The budget remains the first

priority: more than \$250bn

needs to be trimmed from

spending plans inherited from the Reagan Administration.

That means tough choices on



requires far more inter-service co-operation than ever proved possible under the Reagan Administration, where figures such as Mr John Lehman, Navy Secretary, had a habit of steaming off in their own direc-

Mr Tower can argue that at least his top-tier management is in place. Mr Donald Atwood, formerly of General Motors, is set to be deputy secretary, largely an administrative job; elsewhere, the three service which the Pentagon has a secretaries - Mr Will Ball direct interest. The most

(navy), Mr Rhett Dawson (army) and Mr Jim McGovern (air force) - are ready and willing. But all three are former aides to Mr Tower, who served for 24 years as Republican Senator from Texas, latterly as chairman of the Senate Their effectiveness depends largely on his confirmation.

The lack of leadership is all the more worrying because the Bush Administration has initi-ated several policy reviews in which the Pentagon has a

important is the survey of US strategic priorities (including modernisation of the land-based nuclear deterrent), and the review of East-West relathe review of East-West rela-tions which focuses on change in the Soviet Union and an appropriate Western response. Dr Fred Ikle, who served as the third-ranking Defence Department official in the Reagan Administration, suggests that if the reviews end up as "pie-in-the-sky" reflections on the state of the world, then the the state of the world, then the Pentagon can recover easily. This could change if the discussions on East-West relations dig deeper, as Mr Scowcroft seems to want. For the moment, however, the Pentagon, once accustomed to sitting in the driver's seet finds.

ting in the driver's seat, finds itself "in the middle of the caritself "in the middle of the caravan," says Dr Ikle.

The contrast with 1981, when Mr Caspar Weinberger took charge as Defence Secretary, is striking. First, Mr Weinberger was confirmed by the Senate by the end of January; second, in addition to President Carter's planned build-up, he won a whopping increase which laid the foundation for the \$2,000 m Reagan rearmament programme; third, the Pentagon gramme; third, the Pentagon was an early, influential player in foreign policy, arguing suc-cessfully for support for covert operations in Central America

and active backing of Pakistan and Gulf Arab states in the wake of the Soviet invasion of Dr Ikle says the Pentagon still has plenty of time to reassert itself and notes that one of the most powerful bureaucratic infighters. Mr Richard Perle, did not join the Pentagon staff

until mid-1981. But for the moment, the picture is one of an embattled department in search of a leader. No wonder Admiral Crowe, who was once content to send an adjutant to White House strategy meetings, has taken to attending in person.

worse than the most pessimis-tic expectations. This took the seven-month total to A\$9.64bn - past the full-year forecast of A\$9.5bn made by the Govern-

The dismal figures came two weeks after the release of inflation figures of 7.7 per cent in the year to December, confirming a reversal of the previous downward trend.

Against the US dollar, the cur-

On the money markets, yields on 90-day bank bills finished at 17 per cent, up from 16.6 per cent on the day, but off the side in the form of the cur-

plummeted. The All Ordinaries index finishing 38 points lower at 1,451, which compared with

# Storehouse

year's level.

The group has been criticised for falling to implement good retailing disciplines, such as cost and stock control, while allowing free rein to design.

Mr Jim Power, the company's finance director, said the group would have to run Habitat, Sir Terence's original company — which has had particular stock problems — "as a

day, Storehouse shares fell 9p yesterday to close at 170p, at which the group is valued at

dend and hopes of a bid for the

# plans to expand. In the latest six months, sales volume has been growing just slightly slower than sales footage. Put that together with almost zero price inflation and soaring rent and wage costs, and Storehouse's conclusion could profitably be followed by the retail industry as a whole. That apart, the company's new strategy seems chiefly one of unpicking the disastrous Conran legacy. In the early days of the merger, the new chief executive pointedly remarks, the business was run without firm central direction or support services, except for

THE LEX COLUMN

A late conversion

Storehouse

FT-A Stores Index

Share price relative to the

to 35 per cent by the end of next year. The company's yield is already one of the best among the majors; its problem is rather one of earnings growth.

Yesterday's full year figures are not particularly encouraging on that score. Indeed, by far the best performance was by the departing minerals division, which made as much money in the fourth quarter as in the whole of 1987 – and whether RTZ will get anything like as much out of it this year

is quite another matter.

Meanwhile, one of the least happy effects of BP's recent deals has been the increase in tha tax charge. The ACT write-off last year alone was \$100m, and this year's figure will bear the cost of the Kuwaiti deal Sir Peter Walters may well bemoon the inconsistency of the Government in encouraging companies to diversify abroad only to clob-ber them for tax; but as no one in the Treasury seems to be listening, hisshareholders appear stuck with the problem.

Australian dollar

Yesterday's collapse in the Australian dollar is rather reassuring news for those who thought that the foreign exchange markets had lost touch with reality. Over the last few months, the simple rule of thumb for most foreign BP has had so much excitement in the last comple of years that a dull patch is now unavoidable. However, the 4.5p fall in the shares to 271.5p that followed yesterday's slightly pattry rise in the dividend suggests that some shareholders had expected the company to tide them over a year or two of exchange traders has been to buy whatever currency had the worst local economic news, on the assumption that interest rates would rise and drag it up. Australia, whose use of the interest rate weapon makes the UK look a positive weakling, has been one of the most fertile has been one of the most fertile

Since September 1986, its currency has risen from 61 US cents to a peak of 89 US cents.

for Storehouse But worries about the domestic economy, brought to a head by some terrible inflation and balsome terrible inflation and balance of payments figures, are now reasserting themselves; and even though the Australian Reserve Bank has recently raised its rediscount rate by another 60 basis points to 16 per cent, this has not stopped the currency dropping by close to 6 per cent in the last week. Higher interest rates have not stopped inflation accelerating, and with an election in the offing there must be a fear that the Government will begin to lose its nerve. It is easy to overdo the parallels with the UK, but it would be dangerous to ignore them.

British Telecom

More despite British Telecom than because of it, British conthan because of it. British con-sumers are rapidly adopting the habits of an advanced tele-communications culture. Even if the economy fulfils the Chancellor's fondest desires for a slowdown over the coming year, converts to the cause of frequent telephone use should still keep BT call volumes rising by a very respectable 8 or 9 per cent. Shareholders might per cent. Shareholders might well prefer the 11 per cent which BT should manage in the current year, indeed, they took tha first signs of a slow-down badly yesterday, greeting lower third quarter volume growth with a 1.8 per cent decline in the share price. But the lower figure would still be the second highest ever, and would give the company ample opportunity to fulfil its role as opportunity to fulfil its role as one of the FT-SE's most defen-

the more interesting question is whether BT can continue to fulfil that role once the British telecoms market folly comes of age. Signs are that BT will be forcibly prevented by the regulators from dominating many of the high-est growth areas of the future in the UK; the first sign of this came last month when the company was ordered to reduce its stake in the telepoint pocket phone consor-

But if the lessons of the more mature US market are that BT's core business cannot sustain above average growth in the medium term, then investors should prepare themselves for the fact that buying testing grounds for this rather naive theory.

Since September 1986, its

can be both expensive and risky. Last month's McCaw Cellular Communications deal was both; and chances are it will not be the last.

House prices are on the skids. Your estate agent won't say so. He'll talk of a"quiet market."

That quiet is deathly. Certainly the would-be homeseller can hang on and hope.

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The Economist

# which weapons systems to buy and which to ditch. It also Australian dollar plunges after release of poor trade figures

By Chris Sherwell in Sydney

THE Australian dollar yesterday had its largest oneday fall in 2% years after poor halance-of-payments figures unexpectedly prompted Mr Paul Keating, the federal Trea-surer, to comment on the currency's recent high levels.

rency's recent nigh levels.

In hectic trading on Sydney foreign exchanges, the dollar fell to 63.3 on a trade-weighted hasis (May 1970=100), down from 65.1 on the day, despite a sharp rise in yields on 90-day bank bills and 10-year government boods. ment boods.

The rates firmed following publication of figures showing a January current account deficit of A\$1.554bn (\$1.380n), far ment last August.

At a press conference in Can-

berra yesterday, Mr Keating insisted there was no need for the Government to change its stance of tight monetary and fiscal policy. "Basically, the glass is too full," he said of the huoyant economy, "and the effervescence is spilling over

rent account and inflation. Asked about the continuing strength of the Australian dollar, which is hurting the country's export performance. Mr Keating, departing from recent convention by refusing comment which might influence the market, said: "When demand conditions moderate, f expect and indeed hope that the dollar will fall. And cer-tainly the day that starts we will not be standing in the way

of stopping it."
Reported instantly to the world, his remarks reinforced the negative sentiment against the dollar which had first emerged on Wednesday as a result of signals from the Reserve Bank (central bank) and which the current account figures confirmed.

Despite the prospect of con-tinuing firm interest rates, the currency was marked down further. Yesterday's close of 63.3 compared with 66.2 on Tuesday and 66.9 a week ago.

rency finished at 84.7 US cents in Sydney, down from 87.6 on

the top. Yields on 10-year gov-erument bonds also rose, push-ing through the 14 per cent barrier to 14.3 per cent, up from 13.95 per cent. On the share market, prices

a level of 1,514 a week ago. Some analysts cautioned against assumptions that the dollar would continue its fall,

dollar would continue its fall, saying the situation was different from mid-1986 when Mr Keating's warning that Australia could become "a banana republic" provoked the last major currency drop.

"Australia's fundamentals are not good," a senior bank economist acknowledged. "But they don't warrant a heavy sell-off. The country's terms of trade have improved dramatically over the past year and there is no sign of an imminent there is no sign of an imminent

# faces dip in profits and job cuts

sion and said the dividend would be maintained at last

lar stock problems - "as a business not a religion." On the stock market yester-

Analysts, who backed the group's plans, said however, that the shares would have fallen further except for the promise of a maintained dividend and however to hid for the

group.

Analysis had already been reducing their estimates for Storehouse's results and War-burg Securities, the group's own broker, cut its forecast two weeks ago.

# **WORLD WEATHER** S African blacks reject Mrs Mandela

most female symbol of black resistance, Mrs Mandela recently enraged many in Sow-eto and elsewhere by her affluent life-style and the creation of a bodyguard calling itself the "Mandela United Football Club". Police are now investigating the club's possible involvement in the murder of f4-year-old Stomple Moeketsi. The communique expressed "ontrage at Mrs Mandela's complicity in the recent abduc-

tions and assaults" by the foothall clnb, and added: "Had Stompie and his three collea-

Mandela's 'football team' he would have been alive today." The statement said the democratic movement was "of the view that Mrs Mandela has abused the trust and confidence which she has enjoyed over the years". Mrs Mandela

could not be contacted for comment last night. Asked about the scandal, Mr Oliver Tambo, president of the ANC, sought to play down the affair. He said: That will sort

gues not been abducted by Mrs are attending to it and it is being discussed not just by the people of Soweto but by the ustional leadership (of the Mr Tambo, who used to be

Nelson Mandela's law partner and is his closest friend, said he had been in touch "on and off" with Winnie Mandela. Mr Tambo, who has lived in exile since the early 1960s, said the ANC's image in South Africa would not be damaged: "What one person does, doesn't affect itself out now. It has gone out the image of the ANC." very hadly but . . . our people Hunger strike ends, Page 3

**SECTION III** 



Slowly, Cuba's regional isolation is coming to an end in the wake of improving relations

between Moscow and Washington. writes Robert Graham. And the country's 63-year-old leader would like to balance Cuba's dependence on Comecon with more hard currency trade with the West.

# A mellowed revolutionary

FOR A small nation Cuba occurres an exceptionally large space on the world stage. The personality and ambitions of Mr Fidel Castro have given this Carlbbean island a role wholly disproportionate to its resources and 10.3m population. For the past 30 years it has been Fidel's Revolution and Castro's Cuba.

The obsession of successive US administrations with the presence of a Communist neighbour 90 miles off the Florida coast and the unsuccessful attempts to unseat President. Castro have merely served to enhance his notoriety. Back in 1962, Cuba was the

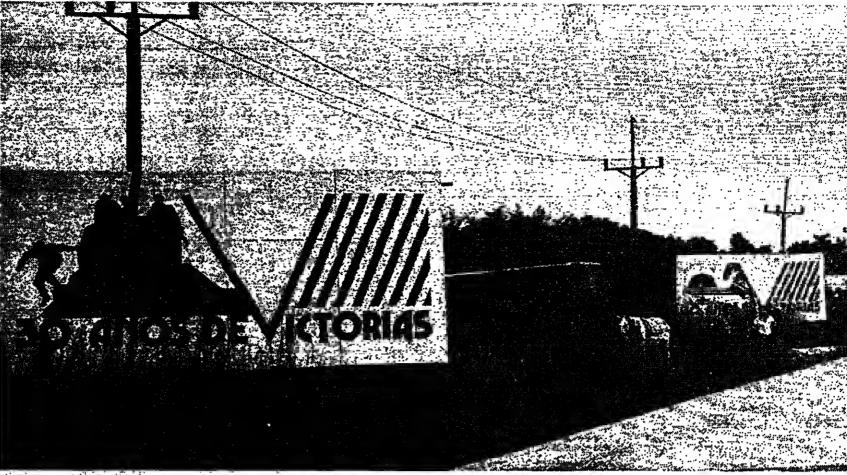
fulcrum of a potential super-power nuclear conflict. Today entente between Moscow and Washington is pushing Cuba to the periphery of East-West ten-sion. The Bush Administration. is signalling a less ideological approach to Cuba; while the new Soviet leadership, with its own internal problems, is far. less willing to sustain's Cuba's experiment in socialism with a blank cheque.

Cuba is potentially vulnerable in this changing internanow in its fourth year of austerity, consumer goods are in short supply, vital Western

dictions of the Revolution's achievements are ever more apparent. Every Cuban, for instance, can have access to superb medical attention, education and the guarantee of a job; but this is at the expense of an appalling lack of trans-port, an insensitively rigid bureaucracy and huge underemployment.

The possibility of a thew in relations with Washington has produced a palpable sense of relaxation in Havana. But such a thew implies changes in both the system and attitudes that would be hard to countenance for the 68-year-old President and those who carried out the Revolution against Batista This is a nation wholly conditioned by the threat (and reality) of US invasion, Cuhan nationalism has been forged largely by anti-Americanism.

Mr. Carlos Rafael Rodriguez, Cuban Vice-President and the regime's elder statesman, insists Cuba is not dropping its guard, emphasising that the US is still entrenched at the naval base of Guantanamo Bay. But he recognises President George Bush is more rational and less ignorant" than Rouald Reagan and that a



Perestroika in the Soviet Union is mentioned only in the most oblique terms by the beavily-controlled media. But some among the younger generation see in perestrolka a chance for Cuba to emulate the opening up of the Soviet sys-tem. President Castro himself is in no mood to emulate. "Our problems are different. We are creators not imitators," he says, insisting Cube will con-tinue faithful to the path of Marxism-Leninism and central planning.

At an emotional level, it is easy to see why any embrace of capitalism implies betrayal of the ideals of the Revolution. In this vein, Mr Castro has. made revealing comments to the effect of 'hetter to have bad socialism than ape capitalism." Yet behind this front, the President has mellowed. The revolutionary is turning states man, seeking formal ties and trading links with many of the bourgeois governments in Latin America he once tried to

He would also like to balance Cuba's dependence on Comecon with more hard currency trade. The drying up of Western credit since 1986, caused by the inability to service \$6.4bn worth of debt, has meant that almost 90 per cent of trade is

The authorities are well aware that a shake-up in the structure of Comecon, especially over pricing and convertible currencies, could have negative . consequences, and behind all this lies the unvoiced concern that Moscow might decide to reduce the level of aid.

If sugar and nickel price sup-port are added to special arrangements on oil supplies, soft roll-over credits and grants, then Soviet aid worth at least the equivalent of \$3bn flowing to Cuba annually.

Top Cuban officials insist the Soviets have given assurances that existing aid commitments will be honoured for the 1986-90 five-year plan. But such guarantees are short-term, and the April visit of Mr Mikhail Gorbthey to Cuba is being awaited

It would be wrong to down-play President Castro's own single-minded dedication and the sacrifices of his fellow Cobans in eliminating poverty. Nevertheless, the establish-ment of the most advanced

welfare state in the Third World owes much to generous Socialist Bloc aid, especially from the Soviets.

Soviet aid has further per-

mitted Cuba to become the

most militarised society in Latin America, capable of mobilising 1.2m people – more than Brazil with a population 13 times greater. Under the Soviet umbrella, though not always in full accord, Cuba has managed to keep up to 100,000 internacionalistas in over 40 countries at any one time.

The most notable case has been Angola Over the past 13 years more than 300,000 Cubans have served there. Arguably the Cuban role in bringing about the UN-backed peace treaty for south-west Africa last December is President Castro's single most important foreign policy achievement, balancing his earlier failures to promote sympathetic revolutionary regimes in Latin America.

Without the presence 50,000 troops in Angola, willing to fight indefinitely against South African backed forces, it is unlikely that Pretoria would

ever have come to the negotiating table. As it is, the December tripartite agreement offers a genuine chance for the inde-pendence of Namihia and greater stability in south-west Africa. Elsewhere, President Castro's achievements have been more elusive.

The Revolution itself - an all-embracing word vaguely used to describe the process of building a new socialist society — has aged, if not matured, to become institutionalised under the tight control of the Communist Party with Castro at its apez. He retains his enormous popularity, which still enables him to stand above the frequent criticisms of bureau-cratic incompetence and inefficiency that riddle every aspect

of life.
Indeed, the President is the only person permitted in pub-lic to criticise the regime. Its opponents are, in the main, the exiles in Miami. A small human rights movement arouses more curiosity than sympathy and is easily controlled. Nevertheless, Mr Castro is sensitive to charges of human rights abuses and has

Trade: more than just sugar for Foreign relations: stepping KEY FACTS

Sugar: record in sight Nickel: still no goldmine

Energy: the nuclear future Medicine: a picture of health 5 Tourism: lust pay in dollars

Thirty years of victory poster along the roadside in Metanaz province. Photo: Ashley Ashwood

through schools, the unions and the military. At the other end of the spectrum, material incentives are increasingly used to encourage productiv-

The contradictions are apparent in the citrus industry. Packers are rewarded on the basis of quantity packed. This means they earn more working on exports to Comecon, which less demanding on quality. than selecting fruit for the exi-gent "capitalist" markets from which Cuba itself earns more per unit. Officials say they are seeking to "rectify" the problem: one of the many vague words in the Cnhan political vocahulary which implies there are no easy

begun to release political pris-

oners (just over 200 remain). It is a society which poses

more questions than answers

about its intended march

towards true communism. For instance, Mr Castro's great pride is the Institute of Bio-

Technology. Open since 1986, it was built in less than two

years at a cost of \$110m. Inside

its immaculate laboratories,

equipped with state-of-the-art

technology, an elite group of

scientists is working 14 hours a

day to make Cuba a world

force in medicine and bio-tech-

nology. The institute could be

either an expensive luxury or

the tool with which Cnba

establishes a new high-tech

basis for its economy.
In the area of health care,

where its results are the envy

of Latin America. Cuba risks

being a victim of its own suc-

cess. Over 11 per cent of the

population is now 65 or older,

and by the year 2000 that fig-ure is projected to be 17 per cent. Caring for the aged is an

unresolved headache for

advanced countries, yet Cuba

has only the resources of a

middle-ranking Third World

As for raising productivity in

a centrally managed economy, the existing low wage system

is stretched to the limits. Sig-

nificant sectors of the economy

like construction, sugar and

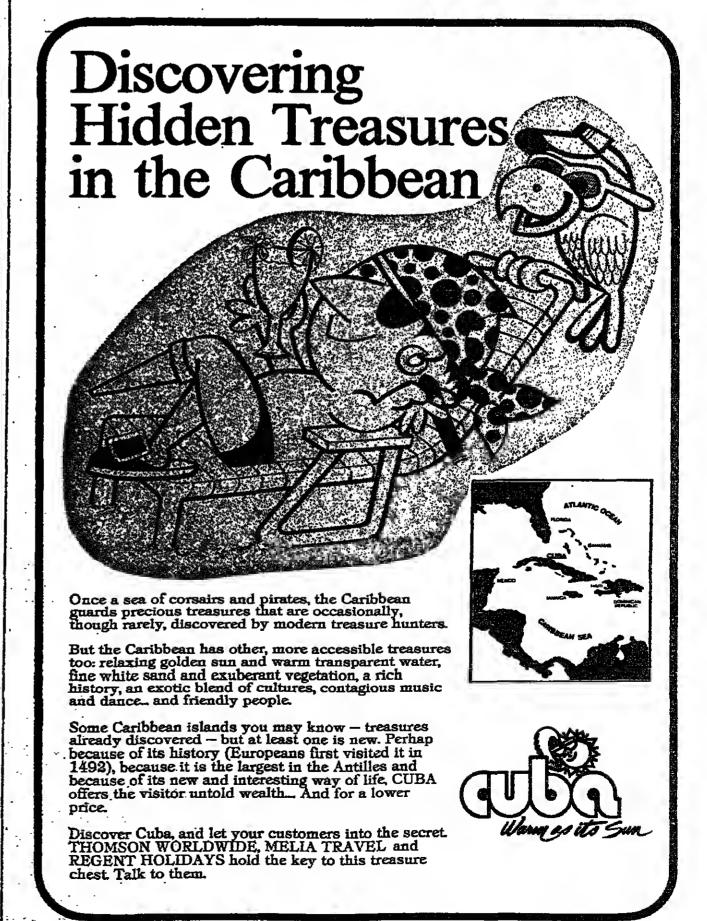
citrus rely on voluntary man-

power or labour mobilised

In judging Cuba, so much depends upon perceptions, and the fact that Cubans themselves have a completely different view. Cuban officials have no difficulty in rationalising low living standards and low wages because they believe the right to basic nutrition, health and education is more important. The same applies to the regimentation of thinking and the lack of permitted opposi-tion – human rights, they say, are just as much about the right to a society without drugs, exploitation, and full of human solidarity. President Castro dismisses elections as unnecessary - "the people vote

for the Revolution every day." Thirty years on, Castro's Cuba has undoubtedly eliminated poverty and created a basic level of well-being. Mr Castro's stay in power appears indefinite. Yet he has still to prove how wealth can be generated to move beyond the present low-wage egalitarian-ism or indeed bow to sustain an ever more expensive welfare state apparatus which is underpinned by Soviet aid. Equally fundamental, in an increasingly educated society. the President is offering only an authoritarian solution to the question of choice.





A MODERN art exhibition, currently on display in Havana, has as one of its exhibits three broken wooden children's carts. The theme of the exhibition is that of a retro spective look back to 1989 from the year 2189. The caption to the display is: "Three wooden sculptures from 1989. Symbol-

in reply to my bafflement, a Cuban artist friend later explained: "Did you not notice that the carts had no wheels? It is symbolic of the immobility of the revolution." Such is the essence of dissent in today's

President Fidel Castro's rejection of glasnost and perestroika, which is stirring up many Communist bloc countries, has attracted much comment ontside Cuba and as much speculation as to whether the sheer force of events, trade relations and history might eventually sweep Cuba in the same direction.

At present, Mr Castro stands The Cuban Communist Party (CCP) with the President at the helm, exercises decisive control over political life in Cuba and is firmly entrenched in its view that Cuban socialism has retained its purity and has not been tainted with "deviationist capitalist tendencies," as the hardliners view the changes taking place within the Soviet Union.

Without a doubt, Cuba is an egalitarian society. Good health and education, an adequate if limited diet, reason-able housing and basic eit unfashionable - clothMr Castro exercises decisive control over political life, writes Tim Coone

# Where perestroika must go under cover

one's income. The same cannot be said of anywhere else in Latin America.

As father-figure, guru, sage and guiding hand of these vements, President Castro has managed to stand above the failures of the system; the queues for buses and bread, the lack of consumer goods which people have the money to buy, the frustrations of daily life, which in other societies can lead to overt forms of protest or even political defeat.

The hold that the CCP main-

tains over political life is at present unchallengeable. It is frequently forgotten that it was not until 1974 that the first elections were held for municipal according to the control of the control o pal and regional assemblies years after the revolution and nine years after the CCP was formally organised from various left-wing gronpings including Fidel Castro's own 26 July Movement which exered power until then and which had its roots in social democracy rather than Com-munism. It was only later Mr Castro said: "I am a Marxist-Leninist and will remain one

until I die." Elections are now held ever 2½ years to the municipal assemblies; the next one is due this year. Each neighbourhood, ranging from 30 to 200 voters,

is entitled to elect one delegate to the assembly. The municipal assembly then elects represen-tatives to each of the 14 provincial assemblies and also to the National Assembly - the latter having one delegate for every 20,000 inhabitants.

In theory anyone, CCP member or not, can be elected. In practice as one municipal delegate explained: "No political impaigning is allowed. A public meeting is held where candidates are nominated and date is later elected by secret vote on his or her merits.

Non-party members do get elected to the assemblies. But the possibility of an opposition movement to the CCP projecting itself at regional or ional level to attempt control of even a municipal assembly, is extremely remote.

The state-controlled media

reports only what the Govern-

ment wants reported and alter-native views have little possibility of achieving mass circulation, even if they are within a socialist context. New Times and Moscow News, both Soviet publications supporting perestroika, are virtually unob-tainable in Cuba. Those that are available are passed from hand to hand and have attained the status of semi clandestine publications.



President Fidel Castro

At schools and universitie ching of Marxist philosophy is very lop-sided. Many Marxist writers such as Jean-Paul Sartre (who criticised President Castro after an initial phase of enthusiasm) are simply ignored in curricula. imported books are available only through the black market. Raul Castro, the President'e brother and nominated succes-sor, who is also head of the armed forces, is renowned for having once said: "No-one criticises Stalin in my presence."

The result is that many of the political cadres that are produced by this system, and who later become party offi-cials or government and state

company managers, tend to be schooled in only a limited

range of ideas The scope for disagreeing with the views of top party and government officials, most of whom date from the guerilla war days and were schooled differently, is automatically limited. Like a Masonic lodge, party members are only accountable to each other and dissent within the party is not discussed with outside

Nosy journalists tend to be treated with great suspicion, mless the green light has been given from above. Even then, party matters are taboo sub-jects. In short, the workings of the system are largely con-cealed from the rest of the pop-ulation, allowing inefficiency to thrive and corruption to go unchecked unless the party itself takes action.

A process of "rectification of errors" was begun in 1985, in an attempt to reduce these abuses but also to correct policles which encouraged the formation of a class of small capi-talists. Success in eliminating the latter but only slow prog-ress in reducing the system's inertia and inefficiencies have caused it to be dubbed as the ratification of horrors.

Foreign diplomats in Havana admit to having little know-ledge of who, besides President Castro and a tight cabal of party faithful, exert decisive influence on policies. It is clearly not the elected bodies, although they do have the function of a "sounding-board" for complaints and ideas of which the party does take note. Mr Castro is known to draw

on a "support group" of younger party specialists in the 40-year age group who appear to have been groomed to take the places of the older members of the party polithuro as they die, but their level of influence and the group's composition remain hazy.

Without a doubt, the major strategic moves that have been

made, whether economic or political, have tended to be Mr Castro's personal decisions the nuclear energy programme, Havana's new \$100m biotech-nology centre, fhe universal health and education systems, Cuba's involvement in Angols To finance them and to maintain their momentum when they have run into prob lems, sacrifices have had to be made in other sectors. Military-style approaches and organisation are often taken to problem-solving, whether it is poor sugar harvest or a shortage of housing. "Briare organised to provide the labour, and they are given pri-

complete the task at hand. The rapid construction of "Expocuba" — a large, permanent exhibition centre inaugurated last month on the outskirts of Havana - is a typical example. Indeed, the militarisation of society, (it is thought as many as 3m Cubans could be rapidly mobilised in an emergency) and the continued perceived threat of a US invasion are powerful factors which promote political unity around a common cause. The armed forces are the backbone of the efence of the system. Their 13 gruelling years in Angula have just brought Cuha's first major foreign policy success in 30 years, and the troops are

returning as victors. Together with the symbols of social and economic progress under Castro and the CCP universal health and education, nuclear power, biotech-nology; these successes work in favour of a continuation of the system as it stands. Their high cost, however, and the inability of the political struc-ture to respond adequately to the severe economic strains and planning failures that have appeared in recent years. are factors working in favour of eventual change. The role of the church, with

only minimal influence in

what is now a predominantly agnostic or atheast society, is limited to support for the increasingly active human rights groups, which in turn look to the outside world to enert pressure on the Cuban Government Human rights in Cuba is not an issue of assassi-nation and systematic torture as it is in other paris of Latin America. It is more one of lack of freedom of expression, and the long imprisonment or exile of publicly dissenting critics. Pressure for change can be expected to come both from the

Comecon countries and the US from Comecon because of its close economic relations with Cabe and the need for greater efficiency on Cuba's part in effing its trade obligations and from the US precisely because of the lack of eco-nomic relations.

The new Bush administration in the US has a tempting carnot to offer Cuba by lifting the economic embargo. Opening the doors for US tourists to visit Cuba would boost the island's projected boom indus-try and could quickly turn around its economy. But it is improbable that such a concession will be given without a

suitable quid pro qua.

Since Mr Castro insists on
maintaining ideological purity,
he runs the risk of not opening the party and government to a wider range of ideas. That may undermine the very political structure he seeks to preserve.

Everyone in Cuba knows of perestrolka, and it is not only artists who are aware of the dangers of immobility.

made a priority, having been

long ignored for fear of turning Caba too much towards a ser-

vice economy (and creating a

nation of waiters). Earnings

nation of waiters). Earnings last year were \$115m. The potential can be measured from this figure being one sixth the tourist earnings of Jamaica, one tenth those of the Palenter.

The sugar industry has gone through a painful readjustment and is now being better man-

aged. The Cubans, having

learned some tough lessons,

are still aiming to produce 10m tons a year, with a growing emphasis on by-products.

The huge delays in the devel-opment of Cuba's vast nickel reserves have been largely the

Soviets' fault. Nickel produc-

tion is more than 10 years behind schedule. But new

export capacity has been added with completion of the Punta

Gorda plant two years ago and

Cuba is benefiting from high international prices. By 1992, it

should be producing 100,000

tons with 25 per cent available for sale in hard currency.

On the agricultural side, the citrus industry is beginning to

earn hard currency. If the

Bahamas.



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FROM President Fidel Castro downwards, the calls are for "sacrifice" and "work harder to produce more." Such exhortations underline the plight of the Cuban economy, experienc-ing its fourth consecutive year

of austerity.

The impressive growth rates of the early 1980s, when Cuba outperformed the rest of Latin America, have evaporated. Instead, annual average growth during the current five-year plan (1986-90) is unlikely to be more than 1.5 per cent against a 5 per cent

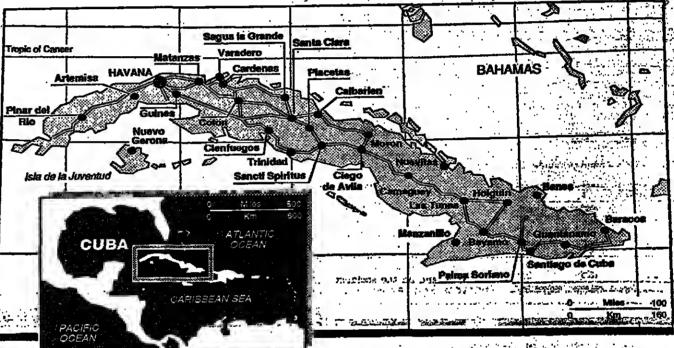
Preliminary estimates for 1988 indicate the economy grew 2.2 per cent, with a marginal rise this year, thanks to a good sugar harvest and improvements in other exports. But after a sharp fall of 4 per cent in 1987 - described by the Banco Nacional de Cuba as one of the most critical years the country is only just returning to the Gross Social Product of \$27.4bn achieved in 1986.

Consumer spending is being squeezed by this socialist economy's crudest tool - restricting the supply of goods. With less to buy, money in the hands of the public has increased sharply and the authorities have managed to channel only part into new savings. Parallel to this is a tourism and emigrant/exile remittances, whose main outlet is a chain of dollar shops.

The peasants' markets, where they could sell their surplus produce, were closed in 1985. These markets created anarchic differences between free and subsidised prices, and enriched the peasants at the expense of the urban poor. A five-year experiment, it seemed too hot to handle in a centrally planned economy.

Robert Graham looks at the problems of the economy

# Austerity ... and experiment



In retrospect, it is clear that 1985 was a turning point for the economy not only because it marked a return to rigid cen-tral planning. It heralded the close of more than two decades of uncritical Soviet aid and relatively easy access to Western credit. It also signalled an abrupt end to five years of exceptional growth. Between 1980-85, the economy grew at an annual average of 7 per cent. Since then, a combination of adverse weather, poor man-agement and snpply bottle-necks at home and debt and low commodity prices abroad

have constricted growth. The 1989 budget envisages total expenditures of \$13.5bn, which is only 7 per cent more than spending in 1985. During this four-year period, income has declined and the budget deficit has grown. The deficit has risen from \$252m in 1965 to a projected \$1.62bn this year.

Lack of cash at home and the drying up of foreign credit have restricted major capital expenditures, which tend to reflect projects on the drawing reflect projects on the drawing board or already begun at the end of the 1980-85 five-year plan. Even the published amounts devoted to defence have scarcely changed (this year \$1.37bn or 10 per cent of the total).

Cuba has cut hard currency imports and imposed a

imports and imposed a notional annual ceiling of \$700m, which is 40 per cent lower than the level prevailing at the end of the last plan. The ceiling is proving tough to observe, but there are encour-aging signs that higher exports to capitalist countries are nar-rowing the hard currency trade

\$103m in the 12 months to last September). The level of trade with Comecon, now 90 per cent of the total, has declined 5 per cent over the past year. All this is happening while the prospects are remote of any early change in the 28 year-old US economic embargo.

Soviet price support mechanisms for sugar and other commodities like nickel have shielded the economy from international price finctuations. But such protection has to be measured against these mechanisms being fixed on a 1985 world view of prices and a tougher Soviet line on complying with quota commitments. In 1987-88 Cuba had to spend almost \$400m in buying sugar on the open market to fulfil its Soviet quotas. Put another

way, drought and production difficulties in the sugar indus-try forced the country to spend 20 per cent of its hard currency. export earnings to buy the very product which generates 80 per cent of total exports. Furthermore, low interna-tional oil prices have removed one of Cuba's principal sources of foreign exchange - the sale of oil saved from the 12.5m of all saved from the 12.5m.
tons supplied annually by the
Soviets. Four years ago, oil reexports were worth \$600m.
This figure has now fallen
below \$300m, and is also
declining by virtue of growing
demands by Cuban industry on

power supplies. The impact of the interna-tional free market has been even more marked in relation to Cuba's special links with the dollar. This is because Cuba holds 87 per cent of its hard currency debt in non-dollar

US economic embargo), yet at the same time, its main hard currency export earnings are paid in dollars.

Between September 87-88, Cuba's hard currency debt increased 15 per cent or by \$860m to \$6.40m, according to the Banco Nacional de Cuba. Of this, \$428m was attributed to depreciation of the dollar. Debt service was halted in 1986 even before such dollar depre-ciation began to bite. As a result, this has complicated further the prospect of an agreement with the Paris Club, whose members account for the bulk of Cuban debt. In the meantime, Cuba is forced to rely on a decreasing flow of suppliers' credits, notably from

Japan and Spain.
Although Soviet debt is treated differently, being simply rolled over, the total is believed to be no less than the equivalent of \$10bn. If total Comecon, Western industrial country and Latin American debt were added together, this would give some \$160,000 of debt for each of the 10.3m

Senior officials insist Moscow has assured existing levels of support through to the end of the plan in 1990. Its total value is never stated and hard to quantify. The figure of alth a year offered by Western diplomats is probably too high. While the Soviets may in the future offer similar levels of support, the conditions are likely to be treather mad Critical and Control of the conditions are likely to be tougher and Cuba may, against its will, have to follow some of the impe changes in Comecon teach as new pricing of goods).

These uncertainties should

positive espects. The economy is positively moving away from its sugar monoculture. More diversification, is occurring

diversification is occurring than is officer credited. At a time when sther Caribbean controls were given the stimulus of President Beagan's Caribbean Basin initiative. Cuban non-traditional experts still managed to increase faster. Since 1980 non-traditional experts have risen almost 20 per cent in value – nearly double the gain of Cuba's closest rival, the Dominican Republic. rival, the Dominican Republic.

Cubans improve the quality and increase the production of granefruit they will have no difficulty in finding markets. Shellfish exports are also doing well. Finally, some of the forcine and bio-technology should begin to pay off by the mid-1990s, if the necessary industrial back-up can be found and marketing skills developed. in the end, these provisos all centre upon the nature of a centrally planned economy and whether it has the necessary flexibility and incentives. With education, health and basic food needs taken care of, wages become more like pocket money than a reward for work.

Monthly wages range from Continued on next page

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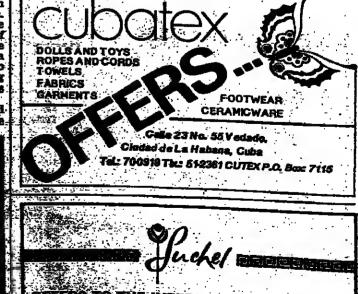
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# It's not all sugar for the Soviets

WESTERN PERCEPTIONS of and sugar exports run at Cuba's foreign trade relations ground 5m tons to the Soviet tion of the sugar barvest — by generally hinge on two propositions: that as a result of the countries and 2m to the rest of ting and all lifting was 1959 revolution Cuba swapped dependence on the US for dependence on the Soviet Union, and that this relationship is underpinned by the continued predominance of the sugar economy. Cuban foreign trade officials, in contrast, point to their efforts to diversify both the composition and the direction of trade, and proclaim adherence to the ideal of Cuba's 19th century nationalist hero José Marti "to trade with the whole world and not with a part of it."

Both views contain elements of reality. Sugar and its by-products still represent around 11 per cent of all production.

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countries and 2m to the rest of the world. Sugar exports to Comecon are valued considera-bly above world market prices, making it possible for Cuba to import around \$3m of goods in return — roughly half of it petroleum. Cuba then reexpetroleum. Cuba then re-ex-ports the petroleum it does not need domestically. In recent years this, has been the second hard currency export after sugar, the two commodities together generating just over 50 per cent of hard currency receipts.

receipts.
Yet it is clear that Cuba has pursued a dual growth strategy based on foreign trade with both West and East, and on strengthening the domestic

### STATEST   1980   1985   1987   19	EXPORTS	Cast targe	ions o	f peco	<b>6)</b>	
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of which, Spain 228 46 102 88 85 Cornecon countries 1,893 2,657 5,159 4,824 4,882 of which, Soviet Union 1,662 2,253 4,482 3,934 3,868 ASIA 378 420 296 217 225 China 80 118 158 60 86 Japan 222 112 79 170 78 AFRICA 108 293 78 78 80 Canada 54 115 32 37 37 ATIN AMERICA 2 190 10 14 64		2,353	2,967	-5.544	4,940	5,015
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TOTAL 2,952 3,967 5,991 5,225 5,401	ATIN AMERICA	2_	180	10	. 14	64
	TOTAL	2,952	3,967	5,991	5,225	5,401

					1.12
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	1975	1980	1985	1986	1987*
EUROPE	2,345	4,104	7,131	6.827	7,036
EC	724	512	548	473	425
- Spain	152 -	139_	177	147	163
Comecon	1,501	3,489	8,472	6,240	8,540
Sov Union	1,250	2.904	5,419.	- 5,314	5,498
ASIA	490	312	492 -	414	240
China	87	105	228	121	97
Japan	, 361	182	219	284	108
AFRICA	10	4	24	. 10	20
Canada	: 98	111	59	53	: 33
LATIN AMERICA	158	63	282	. 209	283
Mexico	27	. 23	77	30	71
- Argentina	106	15	:193	162	124
TOTAL	3,113	4,827	8,005	7,589	7,812
1967 Degrad are comment		. :			

					1	• • • • •		
	COI	IPO:	BITION	OF EX	PORT	5 (%)		
			1975	71980		1985	. 1	986
Sugar Indu	stry		89.8	83.7-	**	74.5		7.0
Mining			4.7	4.9		61 ;		5.9
Tobacco : Seafoods		4	1.8	2.3	-,,,	2.0		1.5 2.3
Agriculture	٠	, i , ;	1.0	1.9	1. 1.000	3.4	200 2 727	
Other	A 2 . 2	22	0.9.	2 . 6.3		13.5		9.2

by Bortonthand are, meaning, were 5 The

mechanised - has raised yields substantially and released labour for developing an industrial infrastructure.

When world sugar prices rock-eted in the early 1970s Cuba was able to import western goods and technology for the first time on a significant scale, and has tried to maintain these imports through western loans when sugar prices have been low. Greater integration into world markets has brought its

own problems in the shape of foreign debt contracted in the late 1970s, which is now escalating rapidly. It rose 15.5 per cent over the year from June 1987, to reach \$6.4bn. Half of this increase was the result of unfavourable currency movements - Cuba's debt is denominated in non-dollar currencles and most of the rest to an

increase in short-term supplier credits which Cuba has resorted to in the absence of further government and com-mercial bank credits. At around \$600 per capita, the debt is not particularly high by Latin American stan-dards. However, since only 12 per cent of Cuba's foreign trade is with market economy

countries, this figure should be multiplied several times for a true comparison to be made. Countries which are currently not extending fresh long-term export credits include Japan, Canada, Bel-gium, Britain, France, West Germany, Greece, Portugal, Italy, the Netherlands, Den-mark, Switzerland, Austria and Sweden. Indeed, the only ones

still extending major credits are Spain and Argentina.
Nevertheless, foreign compa-mies continue to find ways to finance trade. The Italian trading company Socomet, for instance, represents some 680 companies exporting to Cuba. It organises credits from the state agency Sace and from pri-.... vate banks, and seeks to balance trade with Cuban exports to Italy.

Failure to find a solution to

its debt problem forced Cuba to reduce its hard currency import bill from around \$1.2bn a year between 1984-86 to \$0.9bn in 1987. This has increased still more Cuba's relative dependence on trade with the Soviet Union - up from 60 per cent in 1980 to 72 per cent in 1987 : and on the socialist countries as a whole - up

### **KEY FACTS (cash figures in pesos)**

Penglation				10.25
Population		<del></del>		10.00si
<b>Gross Social Product (198</b>				
Annual growth3.5 p				
Structure of employment (	per cen	at)	Agri	culture 18.2
industry 22, Construction	i 9.5.	Service	30.4	(Education
				stration 4.8
Exports				
convertible currency				
CONTRACTOR CONTRACTOR	4007	304III, V	Jan-Sep	1000) 0001
Imports				
convertible currency (19				
Foreign debt in convertible	e Currer	1CY	, (Sept	1968) 6.4bi
(blisteral 2.8bn, suppliers	1.4bn.	financi	el kretitu	tions 2.1bn
Reserves (Sept 1986)	288m (d	pold/pre	cious m	etals 19.5m
cash/deposits in convert				
CLU-Hopothit in bollion				les 198,7m
Budget and and				
Budget expenditure				
Budget deficit		(1989	) 7.6bn;	(1966) 525n

The exchange rate used throughout the Survey is \$1=one peso. Source: Banco Nacional de Cuba

months could be "decisive" in this respect. The industries

sought include textiles and clothing, food processing and

Over the past few years Cuba has re-established trade

relations with virtually every

Latin American country and

now has important links with Argentina, Brazil, Venezuela and Colombia. Mexico, like

Canada, has maintained trade

with Cuba throughout the US

blockade. However, a question

mark hangs over the future of trade with the European Com-munity, and Cuban officials

wait with some trepidation to see what the implications of the single European market

The most important poten-tial change in Cuba's trade relations, however, will come if

and when the US ends the

blockade. A recent study from Johns Hopkins University in Washington concluded that US

corporations could capture up

to 50 per cent of Cuban trade with the West within two years

from its current difficulties it should, therefore, be in a posi-tion to diversify its trade rela-

tions and reduce its depan-

dence on trade with the Soviet Union. This will no doubt coin-

cide with the Soviet view of

how Cuba should redefine its

position within the world divi-

The author is editor of the

newsletter Cuba Business, available from 287 City Road, London ECL

sion of labour.

When Cuba is able to escape

if the blockade were lifted.

will be for Cube.

sugar cane by-products.

from 74.5 to 88.3 per cent over the same period.

Such problems should not obscure the steps Cuba has taken towards export diversification and import substitution. Since 1980 soms 150 export products have been introduced. including citrus, seafoods, steel products, agricultural machinnt, marble, fibreboard ery, cement, marble, and sulphuric acid.

In 1987 total exports, excinding sugar and petroleum reexports, amounted to Pesos 1.1bn, of which 43.6 per cent were for convertible currency. Exports of industrial products for convertible currency amounted to Pesos 181m.

These achievements are significant as, unlike other Carib-bean basin countries, Cuba does not benefit from special tariff preferences - and indeed still has to contend with a trade embargo from the US.

Cnba has, in fact, trans-formed its industrial base since the 1960s. The US economist Andrew Zimbalist calculates that between 1961 and 1985 Cuba's annual average percentage production growth rates were 12.8 in capital goods, 7.8 in construction materials, 14.4 in metal products, 7.9 in electrical energy and 7.5 in chemi-cals. That explains why imports of manufactured goods fell from 58.9 per cent in 1970 to 44.7 per cent in 1963.

Food imports have also been greatly reduced. Substantial improvements in nutrition have been accompanied by a steady decline in the share of food products in total imports - from 20.5 per cent in 1958 to 9.3 per cent in 1986. The development of crude oil extraction - currently around 1m tons a year - and the construction of

nuclear power plant in Cienfuegos: will greatly reduce Cuba's energy imports in the next decade. Efforts are now being made

to attract foreign partners to help run key export plants. In a recent speech President Castro said that the coming

# Austerity... experiment

Continued from facing page

\$160 for unskilled jobs to \$400 for a doctor. The only incentives other than moral ones are priority in the list for new housing and for a car, or for a better holiday.

The guarantee of jobs has led to high labour turnover, indisciplins and absenteeism on the one hand, and large-scale under-employment on the other. President Castro recently said 100,000 could be removed from the 800,000 Havana workforce without being noticed. Even so, essen-tial elements of the economy like construction, citrus and sugar rely extensively on vol-untary or the highly directed use of labour through schools, the trade unions and the

armed forces Presiding over all this is an opaque system of accountability and funding. Cuban companies act as mere administrators of state funds in the sectors they control. A company manager has uo anthority over integrated operations such as supply, transport or foreign exchange. Each is a separate responsibility so that individual managers are too often ignorant of the overall eco-nomic/financial picture.

There is, however, a fascinating new experiment. Since 1987 state capitalism is being permitted to develop the tourist sector through Cubanacan, a specially formed holding company. Cubanacan is the first company to operate as a verti-cally integrated unit — controlling its own finances, allowed to order its own supplies, keep its foreign exchange earnings and establish joint ventures. The company can also fix incentives for workers and con-tract at special salaries foreign managers. Through joint ventures, it is also trying to prove that the seemingly moribund 1982 foreign investment code means what it says; capitalist partners are tolerated in Cuba

and can repatriate profits.

President Castro has openly endorsed Cubanacan. If Cubanacan succeeds in such a visible sector as tourism, it is hard to envisage the impact will be self-contained.

### FOREIGN RELATIONS

# Back to the fold

CUBA IS slowly breaking out its isolation within Latin America which has existed ever since the Revolution.

In less than six months President Castro has attended three presidential inaugurations -in Ecuador, Mexico and Venezuela. Before that, he had been welcomed only in Sandinista Nicaragua and in Allende's Chile in the early 1970s.

The number and variety of meetings held by Mr Castro when he visited Caracas earlier this mouth underlines the extent of the change. He even met the leaders of Colombia and the Dominican Republic with which Cuba still has no diplomatic relations. He spent more than three hours with Mr Jimmy Carter, the former US President. The logical outcome of these moves is for Cuba to be readmitted sooner or later

to the Organisation of American States (OAS).

The change has come about partly because Latin American governments have been transformed in the 1980s, moving away from military regimes that were closely linked to the US. However, Mr Castro himself has radically cut his sup-port for revolutionary move-ments as a means of gaining influence in the region. He is now committed only to back-ing the revolutionary left in Chile and the umbrella guerilla

groupings in El Salvador. Instead, he is seeking sound govsrnment-to-government relations with a strong empha-sis on commercial ties and, where possible, credit lines. Cuba now sees large markets like Brazil as important outlets for trade and forutilising the technology it is developing in the fields of electronics, medi-cine, health and agriculture. This new emphasis can also be seen in the number of technical conferences held in Havana on these topics – only 10 years ago the same conference halls were being used to discuss non-alignment and Third World liberation movements.

This does not mean that Mr Castro has foresworn his mission to lead the vanguard in the Third World to establish a new order of international economic and political relations. Rather, it represents a more realistic adjustment to Cuba's needs and resources.

His Third World commitment is exemplified by the 32,000 overseas students from 30 countries currently studying in secondary schools, technical institutes and universities at a cost of \$40m a year. Over 20,000 of these are in schools on the Island of Youth (the former Island of the Pines where the President was once imprisoned). Most of the students are from Africa (Angola, Ethiopia,

Mozambique and Namibia). However, Cuba also retains up to 100,000 civilian and military personnel abroad in over 40 countries. Some 3,000 are in Nicaragua but the main mili-tary coutingent has been the 50,000-strong force in Angola supporting the government there against the South-Afri-can backed Unita rebels.

The Cuban presence in Angola has often been portrayed as President Castro acting as a Soviet cat's paw, but this ignores his involvement with Agostinho Neto's Popular Movement for the Liberation of Angola (MPLA) since 1966 almost 10 years before the Soviets took an active interest. Mr Castro himself has always portrayed his African policy as a form of re-establishing Cuba's ethnic/cultural ties

with the continent.
Under the UN sponsored peace treaty last December, Cuban troops will withdraw by 1991. The first 3,000 are already back on the island. This withdrawal, negotiated with South Africa and the US, may be the end of an era whereby Cuba retained large quantities of troops overseas

If Cuba can deal with the US diplomatically over Angola, that raises the question whether the two sides can now begin to talk about their own long-standing differences. The Castro-Carter meeting in Caracas coincided with an unprecedented Congressional invitation which saw Mr Garcia Oliveras, head of Cuba's Chamber of Commerce, at a prayer breakfast in Washington attended by President Bush, During the Reagan Adminis-

trations relations were tense. From the beginning there was a sour atmosphere caused by events surrounding the Mariel exodus of some 250,000 Cubans. Then, there was pressure on Cnba for backing the San-dinista Revolution, the 1983 US invasion of Grenada and the establishment of the US-Government financed Radio Marti. However, in the final 18 months informal relations

improved with an easing of access for Miami Cubans to

visit the island (there are four charter flights a week) and a less belligerent tone in Washington's attitude towards Havana. The US Government has returned 205 of the Cuban criminals who were allowed by President Castro to leave during the Mariel exodus.

The immediate touchstone for more normal relations will be the fate of the TV station which the Reagan Administra-tion wanted to set up to beam programmes from Miami. The Cubans insist the operation of this TV station will be considered a hostile act. An irritant which can easily be removed as a gesture of goodwill, is the granting of visas to visit the US. Prominent members of Cuba's administration are still being refused entry

Only if these hurdles are put aside would the two countries be able to review broader issues such as restoring diplo-matic ties, the US lifting the economic embargo, renswing fishing sgreements, and with-drawal from Guatanamo naval base. The latter presence has become more symbolic than strategic since the harbour is little used and is becoming heavily silted. As a counter-part, the US is likely to seek a downgrading of the Soviet military presence in Cuba.

This, again, is now considered of diminishing strategic importance even for refuelling aircraft. The main use for the Soviets in future would be for submarine facilities. Here Cuba's relations with the Soviet Union will be largely determined by Moscow's relations with Washington.

It would be unrealistic to expect any substantial alteration in Cuba's links with Comecou, which go back to 1963. However, the Cubans recognise the need to achieve a better balance diplomatically and commercially with West-ern Europe, especially with an eye ou the 1992 unified market. The prevailing mood is one of pragmatism in Havana, Significantly, when last September the British Government expelled the Cuban ambassa-dor and commercial attaché in London after an ill-explained shooting incident, President Castro chose not to retaliate. Neither side now talks about

Robert Graham



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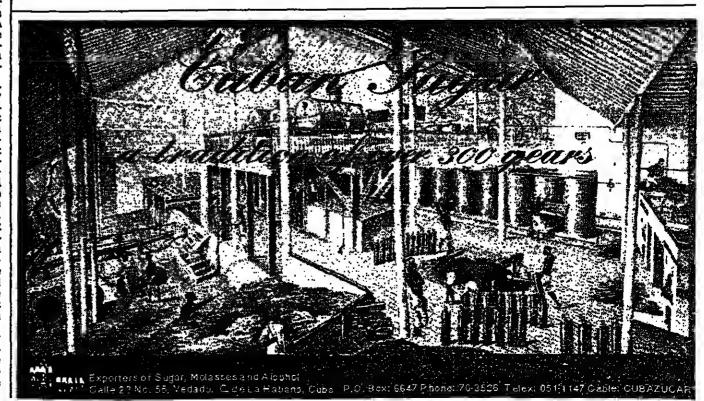
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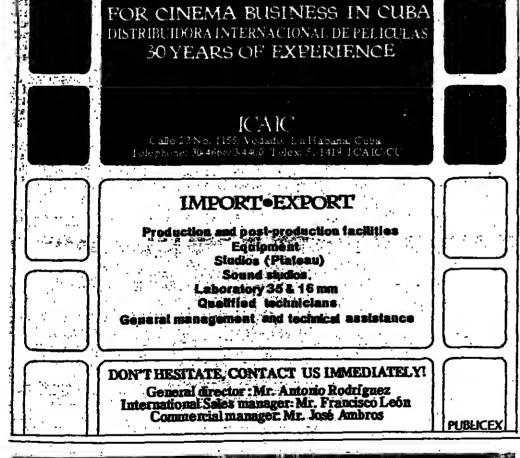
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Source: Staffstical Yearbook 1986



WITH THE sugar harvest in full swing Cuba's 1988-89 "zafra" is expected to top 8m tonnes. If current weather conditions hold, the 1982 record of 8.2m tonnes could be bettered. This is welcome news after two consecutive poor harvests. in which production fell so much below targets that Cuba was obliged to buy on the open

market to fulfil its Comecon quotas. Cuba honght \$189m worth of sugar in 1987, according to the Banco Nacional de Cuba, and last year the figure is believed to have been close to \$200m. This is a curious predicament for the world's fourth largest sugar producer.

Drought has been the principal cause of production short-falls. But senior industry officials also hlame the bad results on lack of spares, insufficient irrigation machinery, transport hottlenecks and management

In the wake of the revolution, the area under sugar cane cultivation was reduced to lessen the economy's dependence on a mono-culture whose main market had been the US. This policy was rapidly reversed for two reasons. The revolutionary government reluctantly accepted that the crop was ideally suited to Cuben agricultural conditions. More importantly, the Soviet Union in 1963 agreed to under write production through long-term commitments to purchase sugar at stable prices.

Assured Soviet and Comecon purchases on exceptionally favourable terms have been the central guarantee of the industry ever since. Over the past two decades, the character of the industry bas changed schstantially. There has been a switch from lahour-intensive cultivation and harvest to mechanisation, and a move to develop bi-products to maxim-

IN THE early years of the

Cuhan revolution, the inno-

cent orange was at one point condemned as a "bourgeois"

fruit. Those were the heady

days when enthusiasm and revolutionary fervour made up for what was lacking through

supply shortages and ration

ing. Demand was suppressed

With the passing of time

however, practical economics and sensible nutrition have

prevailed over ideology, and

the citrus industry has become

one of the fastest growing sec

tors in Cuba's economy. Dur-

ing the next decade Cuba is

targeted to become a serious

competitor in the interna-

tional marketplace for the

export of fresh citrus and fro-

According to Mr Amado

Alvarez, deputy director of Cubairutas, Cuba's sole citrus marketing company, "by 1995

we aim to be exporting 100,000

tons of fresh citrus to Western Europe." He says that Cuba

will be competing strongly in the market nicha for pink

grapefruit. And he estimates

that Cuban juice exports could

A two-hour drive ont of

rise to some 30-50,000 tonnes.

Havana towards the famous "Bay of Pigs", (where a US-

backed invasion of Cuban exiles was defeated in 1961) is sufficient to see that tha

Cnhans mean husiness. On

entering Matanzas province, one sees that vast areas of

once-unused stony scrubland

have undergone a transforma-tion. A horizon of parched tborn-bnsbas has been

THE AMERICAN writer Ernest

Hemingway probably did much to create the image of Cuba as

a nation of fishermen in his

classic, The Old Man and the

That tale of one man's deter

ha elements to capture a huge

for his country's independence from the United States and for

its economic development, and

zen juice concentrates.

through ideological means

Fall in prices holds up changes, but...

# Sugar record in sight

ise the value of sugar and the

The speed of this change has been conditioned by Cnba's ability to develop indigenous technology and manufacture its own machinery, coupled with the degree of access to external finance and assistance. On this score, the falling price of sugar on international markets has seriously under mined development. In the 1960s, for instance, 1,000 tonnes of sugar could purchase the equivalent of 12 harvesters, whereas now the same amount could buy only 1.5 harvesters. Cuba would have preferred

to obtain more equipment from the "capitalist" countries, but has had to make do mostly with less sophisticated East European products or rely on its own ingenuity - like designing its own harvesters.

Back in 1970, the barvest was still cut almost exclusively by hand with some 350,000 per sons deployed in the fields. By the end of that decade, the workforce had been reduced to a maximum of 130,000. Since even further so that in the current harvest the total labour force numbers 70,000. Over 70 per cent is harvested by

However, the harvest still puts heavy demands on the mobilisation of labour, in order to find the necessary manpower, the Government is obliged to recruit some 15 per cent of the workforce by a spe-cial mobilisation of trade union units and the armed forces. The back-breaking toil of canecutting is less and less attractive to an increasingly well-ed-

According to senior officials in the Sugar Ministry, Cuba currently devotes 1.68m hectares to sugar cane. Yields per hectare have varied falling to as low as 46 tonnes in 1980. The current harvest, it is hoped. should reach the 1979 high of 58.9 tonnes a hectare. Such swings are the result of the weather, combined with the degree of access to pesticides, the state of irrigation and the use of machinery.

A derivative is being used to produce newsprint

As a deliberate policy, the Government has reduced the practice of burning cane before harvesting. In 1980, 50 per cent of the cane was burned before harvesting, while that is now down to less than a quarter. This is being done both for ecological reasons and to permit greater use of the cane to produce by-products. While this policy has clear advantages, factories have to cope with the problem of sorting out the extraneons mattar which comes in when the cane is not burnt

Approximately 10 per cent of production is destined for domestic consumption. in 1937, 772,000 tonnes of the 7.23mtonne production was consumed domestically. Of the ramainder, 6.48m tonnes was exported. Over 80 per cent of the volume sold goes to Comecon countries, plus China. The Soviet Union's share

varies between 50 and 60 per cent of the total. Out of the total exports in the first nine months of 1988, the Soviet Union took 3.1m tonnes. Because of price support, Soviet purchases account for nearly 80 per cent of the total value of sugar exports. The Cuban authorities say the Soviets pay an average support price of US 40 cents a pound. (The exact price is believed to

be the equivalent of 36-37 cents

a pound). This is against the average international price last year of 8 cents a pound. Free

market sales, meanwhile, in 1987, were worth \$220m.
To cover costs, the Cubans cannot afford to see the inter-national sugar price fall below US 12 cents a pound. Though prices are well below this, the Cubans still dream of reaching the 10m-tonne production tar-

The industry shrugs off com-petition from artificial sweet-eners and sees sustained demand within Comecon. The main expanding markat is China where, in the first nine months of last year, purchases tripled in volume against the same period in 1987 to 1.2m

On the by-products side, the Cubans entertain ambitious plans which eventually envis-age almost 50 per cent of the age almost 50 per cent of the industry being devoted to this sector. There are three main derivatives being worked upon – bagasse, molasses and cachaza. Of these, bagasse is being used in energy-saving, for manufacturing fibres, packaging and newsprint

and newsprint.
The equivalent of 1m tonnes

of oil is currently being saved a year through bagasse and as an energy source in the plants. Experiments have also been made to produce newsprint and a provincial newspaper, te, will now undergo a trial run for a year using

hagasse-based newsprint.
Molasses are being developed to produce animal feed, enzymes, furfural urea, yeast and, of course, alcohol. Cachaza is being developed to produce animal feeds, oil resins

Of late, particular impor-tance has been attached to cachaza. This had traditionally been isttisoned, contaminating rivers and soil surrounding the plants. Apart from cleaning up on this pollution, the authori ties have successfully demon strated that cachaza can be used to produce animal feeds. Shortage of animal foodstuffs has caused a drop in the country's cattle herd, and if cachaze can be successfully exploited in this sphere it will help to bridge the November-April dry months (the period of the sugar harvest) when animal

Research has been going on since the research institute, ICIDCA, was established in 1963. Subsequently, this evolved into three separate institutes employing 2,600 sci-entists and technicians. These cover three basic sectors - cel-lulose, fermentation and sugar

(for glucose based products).
The pace of development is conditioned by budgetary constraints. Out of a total invest ment this year of \$500m in the sugar and sugar cane sectors, only \$35m has been earmarke for the development of by-prod-ucts. Until this proportion increases, the by-products side of the business will continue in the shadow of the traditional

Robert Graham

# Production plants are behind schedule

# Nickel still no gold-mine

CUBA HAS such vast reserves of nickel that on current estimates it could sustain produc-tion of 100,000 tonnes a year for the next 200 years and more. These are among the largest high-grade reserves in the

However, efforts to maximise this major source of hard currency revenue and strategic trade with Cuba's socialist bloc partners have been both painful and disappointing. Production targets have fallen way behind and the development of the industry has been plagued with all manner of problems. Skill shortages, faulty technology and poor co-ordination between Havana and Moscow have all played a part in the dustry's poor performance. Nickel production and sales

have been an area where suc cessiva US administrations have been particularly aggres-sive. Not only have US administrations sought to dissuade allies from Cuban nickel purchases but also from supplying

A good many of the techni-cal problems that the industry has suffered have begun to be ironed out. Preliminary figures for 1988 suggest production of nickel was no by almost a quarter and is still rising, and should surpass the industry's historic high of 40,000 tonnes in the early 1980s. The latest nickel price increases indicate 1989 income will be up on last year's \$480m sales. (Only 10 per cent of this latter amount was

in hard currency). Cuba could, with luck, have four plants on stream produc-ing nickel by the mid-1990s. When current capacity is fully

posed by water supply prob-lems. Five years of drought have clearly adversely affected some parts of the Jaguey plan-tation, and the lack of a fully-

integrated irrigation system is forcing the project into new investments in drip irrigation

to economise on the available

subterranean water which has

to be pumped to the surface. But lack of the financial wherewithal and delays in the expansion of factories that

produce the equipment are holding up its introduction.

Such limitations aside, the

Cobans' tendency to throw tre-mendous energy and resources into projects, and to confront

problems with almost mili-

tary-style organisation, will ensure that sooner or later

Cuba will have to be reckoned

with as an important citrus exporter on the world market.

Its identification of the citrus

industry, as of tourism and

nickel, as having a growth market internationally, and

hence a long-term source of

signifies a strategic decision in the Cuban economy.

Like the monument to the

feat of the revolution's foci

at nearby Playa Giron and the

Bay of Pigs, the appropriately-named "Victory of Giron"

citrus combine at Jaguey

Grande is equally a monument to Cuban organisation and

determination - only in this case the aim is to conquer

Tim Coone

and micro-dispersion system

installed, production should rise from 37,000 to 100,000 tonnes. Nevertheless, Cuba is more than 10 years behind its original plans for production. From 1977-87, the industry absorbed \$1.2bn worth of investment. This was principally devoted to huilding a Soviet-aided plant at Punta

Gorda. The island's nickel deposits run the length of a 150-kilo-metre ridge of mountains in the eastern region, facing the northern coast. The deposits have a high content of iron, nickel and cobalt. All mining is open-cast. The first commercial nickel plant at Nicaro was established with US capital in 1945 and by the time of the revolution in 1959, a second plant was near completion at

A good many of the technical problems the industry has suffered have begun to be

ironed out. Production last year was up by almost a quarter

According to Mr Walter Lee, president of Cubaniquel, the state nickel concern, the early post-revolution years were bedevilled by difficulties arising from nationalisation, the

ing from nationalisation, the exodus of qualified personnel, shortage of funds and the lack of equipment and spares, both to run Nicaro and finish Mos.

By 1970, the complexities of trying to run two American-conceived plants without direct access to US-risde equipment led to a decision to re-construct them from scratch with Soviet them from scratch with Soviet and Czech assistance. It was also decided to build a 30,000-tonne capacity plant at Punta Gorda with Soviet grants and 12-year soft credits.
This plant, named after Com-

mandante Ernesto Che Guevara, has been the prime cause of Cubaniquel's subsequent headaches. The degree to which things have gone wrong is eloquently demonstrated by the fact that trial production did not begin until 1986 close on 14 years after the ini-tial site, preparations. Produc-tion at Puntal Gorda has since risen from 1,000 toones in 1987 to 7,000 tonnes last year, with a projected 15-16,000 tonnes this

year. Punta Gorda was a gigantic experiment," says Mr Leo, who was in on the project from the start. The Cubans, gave the Soviets a brief to design a plant based on their familiarity with US technology, of which the Soviets had no experience. The properties of Cuban mickel

Soviets. At least part of the delays stems from having to experiment with and match up, tech-nology in the ammonium carbonate leaching process. In particular, there were prob-lems in developing a satisfac-tory form of generating reducing gases from oil instead of anthracite.

There have also been difficulties with refractory elements. At the same time, a good deal of Soviet equipment has proved unsnitable to Cuba's tropical climate. On found it hard to attract labour to a scarcely-populated and inhospitable part of the island. They also admit to being instperienced in managing the complexities of such a project with limited infrastructure. So serious were the delays that Soviet television last year

went public, not only admit ting to a long catalogue of failing but openly shouldering much of the blame. To compensate, 1,200 technicians and specialist workers were des-patched from the Soviet Union to ensure a speedy solution. The bulk will have left by the

end of this year.

Mr Lee is confident that the Mr. Leo is confident that the lessons learnt will enable a fourth plant, under construction with Soviet and Czech aid at Camariocha, in the Moa region, to be complated smoothly by 1992. Cubanique has established its own polytechnic to cater for the industrial skill requirements. Meanry skill requirements Mean-while, the major supply bottlenecks and technical hitches have been ironed out in the construction phase of

The Camariocha plant will have a 30,000-tonna capacity like Punta Gorda. Together with Nicaro's 22,500 and Moa's 24,000. Cuba's potential will be over 100,000 tonnes a year. Depending on world prices and the ability to attract finance. Cuba could go ahead with a further plant since the coun-try's reserves are large enough without depreciating them too

Under agreements with Moscow, Cubaniquel says 50 per cent of production is ear-marked for the Soviet Union. A further 25 per cent is sent to other Conecon countries. The remaining 25 per cent, in the-ory, can be sold in the free market. In practice, sales to the Soviet bloc have in recent years accounted for up to 90 per cent of production in order to meet Comecon commitments. The main non-Comminist purchasers are Belgium, Italy, Sweden and West Ger-

Under price-support agree ments in force since the early 1970s, Comecon has shielded Cuba from international nicket price fluctuations. Such compensatory payments ensured that in 1986 Cuba received support equivalent to \$100m.

However, this year high world nickel prices have eliminated the need to resort to this support mechanism. Demand for Cuban nickel is now so strong that the normal three month buffer-stock is virtually non-existent. Back in 1979. Cuba held the equivalent of five months!" production in

Although Cuba might be tempted to switch more nickel sales to freely convertible currency, current Comecon obligations make this impossible. Nevertheless, as the cost of amortising Punta Gorda and

Camariocha begins to be reduced by increased supply, Cuba would like to balance sales on a 65-35 ratio between Comecon and the free market. Sales to "capitalist countries" are on a cash basis. Countertrade has been tried only once with France's Creusot-Loire, and this was not considered a successful deal:

Robert Graham

# "Bourgeois" fruit is being grown for export by socialist means

Conquering the citrus markets

replaced by a mantle of neat, green citrus groves stretching out in every direction.

Water plumes from irriga-tion sprinklers sparkle in the sun. The Jaguey Grande plantation is a huge project by any standards. With 46,000 hectares already planted, 60 per cent in oranges, and twothirds aiready in production, it is the focus of Cuba'a drive to become one of the world's major citrus exporters.

By 1995, Jaguey Grande will have 60,000 hectares in production. Togethar with 14 other citrus plantations dotted around the country, a total of 180,000 hectares will be in production by the middle of the next decade, with an annual output of 2m tonnes of fruit and at a cost of an estimated Pesos 2bn in investment.

close to 1m tonnes a year, of which 200,000 tonnes goes to the domestic market, some 750,000 tonnes is exported to the Comecon countries under a reciprocal trade agreement and the rest is finding a grow-ing market in the West or is crushed into juice. Last year 35,000 tonnes were exported to convertible currency coun-tries, mostly in the EC.

The bulk of Cuba's output currently goes to the Comecon countries (primarily the Soviet Union and East Germany)

where it is steadily displacing Mediterranean citrus producers' exports to the socialist

bloc countries.
However, the Comecon agreement is flexible and Mr Alvarez says: "We have no limitations on the quantity we are allowed to sell to the convertible currency countries." As with many grand development schemes in Cuba, over-ambition, bad planning

The Cuban answer has been to construct dozens of purpose-built high schools within the plantations themselves and to use student labour in what is known as a "studywork" programme to provide the bulk of the workforce, A total of 20,000 teenage students are needed to supplement the full-time labour force of 8,000 at Jaguey Grande.

"Every youth learns to take part in the production of the goods each enjoys"

and inability to manage huge projects efficiently may never-theless force the Cubans to scale back some of their targets. Mr Juan Sureda, the head of the Jaguey Grande project, admits that delays in delivery of important raw materials. whether fertilisers, spare parts or pesticides, have been a recurrent problem and that his project's dealings with other suppliers within the Cuban centrally-planned system are "too rigid."

Labour shortages are also appearing. Cuba's highly suc-cessful education system has produced an intelligent and well-trained workforce. Major labour-intensive projects which cannot be mechanised, such as the citrus programme.

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Working three hours daily, the students not only pick the citrus, they also do much of the manual work such as moving the irrigation pipes. According to Mr Jose Fernan-dez, the Education Minister the "study-work" principle is fundamental to the Cuban education system "so that every youth learns respect for those that do physical work and takes part in the production of the goods that each enjoys." Student labour has become

an economic necessity and will be a key factor in Cuba's export competitiveness. At laguey, 63 schools have been built, interspersed at regular intervals throughout the plantation, and some 20-25 more

help note some comparisons with the Israeli kibbutz -system. (Indeed, much of the early development of Cuba'a citrus programme was carried out with Israeli help until rela-tions were broken in 1967). Another main centre of citrus production on the Isla de

Cuban, although one cannot

Inventud (Isle of Yonth), where grapefruit plantations are due to be doubled to 22,000 hectares by 1992, relies on the same system, except that it uses foreign students on the

Although 20 more schools are planned at Jaguey, the post-revolution haby boom has eaked out, and project managers now express doubts as to whether sufficient students can be found in the region to

Mr Fernandez says that in the future every urban student in the 15-18 year age group will be curolled in rural high schools. In the meantime troops doing military service are being drafted in to help with the harvest, while dozens of rural housing projects have been started to attract more labour to join the permanent

A further limitation to the citrus programma is being

# Success story of the fisheries programme

# A fleet near full capacity

less been a success story. So much so, that after 30 years of steady development and \$1bn investment — despite the clomination in a battle against fish could almost be a para-cigm of Castro's revolution itself – the struggle of a man sure of US and Bahamas waters to Cuban fishermen the fishing industry bas

reached maturity.
Catchas in Cuban waters have run np against biological limits. The deep-sea fishing of his overwhelming belief in his own destiny.
While such single-mindad determination may have not brought the desired economic fleet faces competition from other nation's fleets, end the results (in the Hemingway tale the fish escaped) the Cnban fishing industry has nevertheworldwide extension of fishing limits to 200 miles restricts fur-

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According to Mr Jesus Ben-jamin, Cuba's Vice Minister for Fisheries: "We are at a ceiling of output. Apart from a few minor species, our own fish and shellfish stocks are now fully exploited. Cuba has in fact built the

biggest fishing fleet in the Caribbean. With 28 deep-sea trawlers and some 15,000 coastal fishing boats and trawiers of all shapes and sizes annual catches now approach 250,000 tonnes a year. Only 90,000 tonnas are

FOR FURTHER INFORMATION

caught in Cuban waters. The rest comes from as far afield as Newfoundland, Peru, the Afri-can coastline around Namhia and Angola and tha South-West Atlantic north of the Falkland Islands. In tha case of Peru, a bilateral agreement allows Cuba to retain 70 per cent of the catch, the remainder being handed over as a compensatory fee. Supporting the fishing fleet

are the shipyards and shore processing plants in Havana and overseas bases in Peru, Panama, the Canaries and Vigo in Spain that together have created an industry employing 42,000 people. A measure of their importance to the econ-omy is that the 16,000 trawler-men are the best-paid workers in the complete. in the country. There are two distinct Cuban

fishing fleets with very differ-ent objectives. The inshore fleet concentrates on the cap-ture of lobster and prawns for export. Earnings last year were \$150m, all in convertible currency, making it one of Cuba's most important industries after sugar and nickel. The deep-sea fleet catches fish for domestic consumption, both human and a principal source of protein in the Cuban diet, ahead of beef,

the Cuban diet, ahead of beef, chicken and pork.

Meanwhile, fish meal made from the less valuable species caught both in Cuban waters and by the deep-sea fleet is a valuable input for the Cuban livestock industry.

The ceiling on expansion of the Cuban fleets, imposed by natural resources and international catch agreements, has

tional catch agreements, has not put a limit to Cuban plans. Mr Benjamin says thet the immediate aims of the industry are to maintain the existing levels of catches at sea, while future expansion will be based on aquaculture. In 1964, in the wake of Hurri-

cane Flora, reservoirs began to be built throughout the country as part of a water-management programme to control erosion and provide water for irrigation. Over time, their value as fish farms has also been recognised. Last year 16,000 tonnes of freshwater fish, mainly of the voracious Tilapia species, were harvested from Cuba's reservoirs.
The fish are spawned at 13 breeding stations around tha

country, seeded into the reservoirs and left to grow with no supplementary feeding. Mr Julio Baisre, an international fisheries and aquaculture expert, and head of research at Cuba's Fishing Ministry, says that trials with carp and catfish are also under way and that 45,000-tonne harvests are being aimed for from the existing reservoir resources over

the next five years.
In addition, the first steps are being made in prawn culture from purpose-built farms and tanks. Last year 500 tonnes of farm-grown prawns were

produced. Mr Balsre says that by 1992 they hope to produce 8,000 tonnes, thus tripling prawn exports. He says experi-ments are also being made to seed Cuba's sea-waters with the laboratory-bred spawn, to raise coastal stocks. The fisheries programme has

an annual investment budget of \$50m, most of which is now being directed towards developing prawn output, says Mr Baisre. In the longer-term, lobster culture is also being con-sidered, "although the techni-cal difficultiae are more difficult to surmount and it will probably be 2000 before we can be producing at a commercial level," he says.
One further possibility exists for growth, however. In 1977, under the US Carter Adminis-

tration and a thawing of Cuba-US relations, a five-year fishing agreement was signed allowing Cuban access to the US 200-mile fishing administra-tion zone around its coasts. In practice, the treaty was never enacted by Cuba. According to Mr Benjamin, this was due to the difficulties of negotiating with the individual US states that are responsible for administering US coastal waters. With an average utilisation rate of 220 fishing days a year, Cuba's deep-sea fleet is operating at near-full capacity. The chance of fishing nearer home however, and the over-capacity of the coastal fishing flee would still make a new agree ment with the US an attractive

It would therefore not be too surprising to see fishing as an area in which Cuba and the new Bush Administration might take the first steps towards rapprochement and a tentative new thaw in relations.

proposition for the Cubans.

Says Mr Bemamin: "We are interested in fishing in US waters, but a new convention will be needed."

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for construction transport and agriculture.

The country aims to be a "medical power"

# A picture of health

very high priority by fite post-1959 Government, with the result that Cuba has achieved levels of health care more nor-mal in a Western than a developing country. Infant mortality has been reduced to 13.3 deaths per 1,000 live births, which compares with 10.2 in the US. Average life expectancy at

birth now exceeds 74 years.
Cubain medicine already had
a high reputation in the 1950s.
Indeed, it is estimated that His
expectancy at birth reached 60 ars by 1960. However, access to public health care was very unevenly distributed, both between social classes and

between urban and rural are The Castro Government has placed strong emphasis on pre-ventive medicine, which entails decentralisation of facilities throughout the island and free access to services. Other social policies reinforce the benefits of this restructuring, notably improvements in hous-ing and sanitation and the raising of nutritional levels. The eradication of illiteracy has made active health education

campaigns possible.

Considerable resources have seen devoted to training, facilitating a reorganisation of the

economic development over

the past 30 years is provided by

the strong and steady growth of its energy sector. The five oil-fired power stations, built with Soviet and Czech technol-

ogy since the revolution, adding 2000 MW to generating

capacity, are a source of pride

to Cuban planners. Following the example of Lenin who, in

Russia's immediate post-revo-

lution era, made electrification

of the country a top priority,

Cuba has invested Pesos 2hn

(US\$2bn) in power generation and distribution since 1959,

expanding its generating capacity eightfold.

Last year, electricity output reached 12,600 GWh, almost 60

per cent of which was con-

sumed by industry. The expan-sion of basic industries such as

steel, cement and chemicals,

diversification into manufac-

turing and the connection of

to the grid have produced a steady increase in demand

which has averaged between 5 and 7 per cent a year. Oil

meand has grown three fold

Unilke: Lenin's Russia though Cuba lacks any signifi-

cant hydroelectric potential, and has no major proven

hydrocarbon deposits, making it highly dependent upon imported energy supplies. Oil

. 15

national health system, based on family practitioners, since 1963 Cube now has over 26,000 qualified doctors, some 4,500 of whom are family practitioners. The sector rism to 1995 semis-The sector plan to 1995 envis-ages this number rising to

ages this number rising to 20,000, roughly one for 500 members of the population.

Family practitioners are supported by a network of polycimics, which provide consultations, teaching and laboratory services. But as doctors are pald modest salaries, labour costs, are not very high.

Cube has also for some years bear investing heavily in high-tech medicine—hablogical research, genetic engineering, new diagnostic techniques and new treatments and research. The Government has said its objective is to become a medical power capable of providing expertise and technological transfer to Latin American and er to Latin American and other developing countries.
Cuben acientists have devel-

oped a new vaccine against the killer Group B strain of gening the killer Group B strain of gening coccal meningitis at the Centre for Biological Research. This is likely to be the first such vaccine to complete efficient cacy trials anywhere in the world. The patent has so far been requested by 19 committee.

ENERGY

The nuclear future

the country's - principal

import. Under the present five-year plan, the Soviet Union is committed to providing Cuba

with 67m tonnes of oil over the

1986-90 period.

What Cuba can save from that, it is permitted to resell on

the world market, providing a

useful source of hard currency.

This has been as high as \$500m in recent years (\$527m in 1985).

but the fall in oil prices and

growing domestic demand

have finally provoked a sense

of argency in developing Cuba's own energy resources.

...There are two main direc-

tions - oil exploration and nuclear power. The infense oil

exploration effort along Cube's

raise crude output to 'Im

tonnes a year, but this meets

only 10 per cent of the country's annual needs. Cuba publishes no figure of its reserves,

but they are not thought to

orth coast has managed to

medical technology. Walk into half of Havana's Ameljeiras Hospital and you might think you were in a Zurich bank. The people who built it did in fact intend it to be a bank, but they had one floor to go when the revolution beat them to it.

development of an ultra-mi-

croenalytic immunoassay sys-tem, Suma, originally devel-

oped to test for congenital

disorders such as Down's Syn-

drome, hypothyroidism and allergies. It is now available to

all pregnant women.
Cuben specialists claim that
Suma is much cheaper to operate than similar Western pro-

jects as it uses as little as 5 per

cent the quantity of reagents and is much faster. This makes it potentially attractive for

it potentially attractive for mass testing in Third World conditions. Brazil is reportedly interested in purchasing it.

Suma is being used in mass testing for AIDS: the Health Ministry planned to carry out 7m tests during the course of last year, including all hospitial patients over the age of 14 AII

patients over the age of 14. All Caban travellers returning to the country, and all foreigners striving for a stay of over six

months (with the exception of

foreign diplomats) are routinely tested, and the test is repeated after six months. In a

controversial attempt to con-

identified carriers are isolated

equipped with the latest in

exceed five to 10 years of sup-nly at existing output levels.

Cuba's hydrocarbons makes

them more costly to refine and

to add to the difficulties, some

of the most promising deposits

are located exactly where the most beautiful beaches lie.

Last year this led to an intense

conflict within the government

over fears by those responsible

for developing the Varadero peninsula that the unsightly

oil wells nearby would put off tourists and could lead to eco-

The debate was finally

resolved by Fidel Castro him-self, who ruled in favour of the

tourists and the influx of hard

currency they are expected to bring. But offield development

continues in the nearby Car-

denas bay, and doubts remain

as to whether pollution might

With similar ecological

still remain a threat.

logical damage.

The high sulphur content of

tain the spread of the dise

in a special sanatorium.

Inside Amelieiras you will find computerised axial tomography (CAT) scanners, microsurgery and even, perhaps, a brain tissue transplant. Cuba was the third country in the world after Mexico and Sweden to carry out this operation on Parkinson's disease sufferers, with encouraging results.

The Cuban Dr Alvarez Cambras has phoneered a technique at Havana's Frank Pais orthopaedic hospital which encourages bone growth. It uses ages bone growth. It uses metal "external fixators" stached to the bone through the flesh. Another Cuban invention is "melagenina" ointment, developed by Dr Carlos Miyars Cao for the treatment of the skin disease, vittigo.

In 1983 Cuba held its first biennial. "Health for All" medical technology fair. The 1987 fair lasted seven days and was attended by 282 companies, including many of the largest European and Japanese compa-nies in the field. The organisers hope to attract enough overseas buyers to turn the event into a showcase for the Caribbean and Latin America.

Gareth Jenkins

uncertainties, the other thrust of Cuba's energy development is the 1,600MW nuclear power station being constructed near the city of Cianfuegos on the south coast. The first 400MW reactor, of a total of four, was originally due to come on line in the late 1980s.

That date has been successively revised, due to technological difficulties and construction material shortages. The reactor is now not due to go critical for testing before 1991, and will not operate at full load before 1992. Western diplomats believe even those dates may be optimistic, as additional safety features are apparently being incorporated into the Soviet-designed reac-tor in the wake of Chernobyl.

President Castro has made emphatic reassurances regarding the safety of the Cienfuegos power station (it is a pressurised water type rather than the graphite-moderated type at Chernobyl) but it remains unclear if he stands by his earlier statement: "The energy of the future ... the energy upon which the future of mankind pends is nuclear energy."

Plans exist for the construction of two similar nuclear power stations, one on the north coast and the other in the west of the country, to meet projected growth in eleccentury. As yet, development of alternative energy sources such as wave or solar power has been virtually ignored. Long-term energy plans would thus seem to lie in the direction of further development of

nuclear power.

The implications for Cuba becoming uranium-dependent rather than oil-dependent for its energy supplies are not entirely clear. Cuba now trains nuclear physicists and holds scientific interchanges with other Third World countries which have achieved technological independence in the nuclear industry, such as

Argentina and Brazil.

What is certain is that the Soviet Union, beset with economic problems and the setbacks in its own oil and nuclear industries, will be anxious to reduce Cuba's energy dependence during the five year plan beginning in 1991 During those years, projected growth in Cuba's nickel output is expected to increase oil demand by 1m tonnes a year. On that basis, any further setbacks in either the Clanfuegos power station, or the oil exploration programme could create an energy gap in the mid-1990s: If that happens, Cuba would be forced to reassess not only its energy development plans, but also its entire industrial strategy. Tim Coone

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are delighted to see this profile on Cuba and wish our many friends in Havana every success and benefits that may follow.

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Despite snags, the technological achievements are impressive

# Greeting the outside world

new symbol of Cuban pride and achievement is in the final tages of completion. Expocuba is the country's first international exhibition centre. Built in record time, by "shock troops" of the construction industry, its dozen or so pavilions, spread out over a square kilometre, contain displays of ments of Chban technology and products over the past 30

Cuba's mastery over the mysteries of nuclear power and biotechnology is revealed in working models and slick graphic arts in their respective pavilions Meanwhile at the other end of the spectrum, full-size railway rolling stock, shrimp trawlers, mechanised sugar harvesters and articulated trucks stand for inspec-tion in the open air, as evidence of the advances made in the transport, fishing and sugar industries.

The exhibition was opened to the public last month to keep to the schedule set by President Castro, so visitors are presently being treated to the unplanned spectacle of technology in action; the flash and crackle of arc-welders and the crash of hammers against metal as the steeplejacks put the finishing touches overhead and cranes swing girders into position on the remaining, part-completed pavilions.

Expocuba is in fact a very good example not only of Cuba's advances but also of its infuriating shortcomings and ing undoubted achievements. The multi-million peso investment, which includes a purpose-built railway line and a four-lane highway, suffers from a woefully inadequate train and bus service from the capital just 20 kilometres away. The only hand-out literature available on any of the stands is a booklet produced by the Armed Forces pointing out the vulnerable points of US battle tanks and aircraft

Given that the exhibition is aimed as much at the outside world as Cuba's own population, these oversights are indicative of the country's 30 years of isolation and the frequently-encountered lack of understanding of how the outside world works. One of the aims of the exhibition centre is to attract foreign interest in Cuban industry and its products, both for export purposes and to promote inward investment. It is hoped that foreign countries and manufacturers



will also be encouraged to participate in multi-national exhibitions in the future. At another Cuban technology showpiece in Havana, the

Centre of Genetic Engineering and Biotechnology, which was inaugurated in July 1986, Dr Mannsl Limonta, its director, explained that it had been built in only two years at a cost of \$110m "and which in a western country would have cost three to four times as much."

Cuba's interest in biotechnology began as recently as 1981 and it is already marketing cheap but accurate diagnosis kits for AIDS and other viral diseases, and has made major strides forward in the use of interferons in the treatment of various cancers. The enthusiasm and engaging personalities of the scientists working with him in the spacious, ultra-modern and spot-lessly clean environment at the centre, contrasts sharply with the resignation and irritation in the bus queues outside Expocube waiting for the guagua (bus) which never seems to arrive; when it finally does, it is already groaning under a

full load of passengers. Cuba is no longer what one might call a Third World country. For the advances made in health care, education and the nutrition of its people could certainly rank it among the top five in the league of developing countries. It has built a reasonably solid industrial base in

energy, construction and steel. The experience gained in stainless steel manufacture for the sugar and fermentation industries, the development and diversification of oil-refining capacity and its well-devel-oped bio-medical sector give Cuba strong possibilities for expansion into the manufacture of sophisticated chemicals and pharmaceuticals.

Expocuba is Cuba's first con-

certed effort since the revolution to step into the world outside Comecon; a step clearly made in unison with diplomatic efforts to bring Cuba closer to Latin America once again, to adapt itself to a changing world which is no longer the one of the Cuban missile crisis or of the bearded cigar-smoking revolutionary. The fact of having taken that

step is noteworthy in itself. It is a tentative signal that Cuba is looking to come in from the

cold and that, for all its contradictions, it has genuinely something of worth to offer.

Cuba's next step must be to overcome its pride at having trod an independent path from the rest of the continent, and deal with the glaring inadequacies in its development that this has produced. It is one thing to produce

interferons, it is another to sell them to the rest of the world. Can Cuba supply its customers reliably when the workers that produce these quality products have to spend much of their time waiting for a bus, or standing in a queue for toma-toes? As a Cuban friend said: "It's 30 years now and we still have food rationing

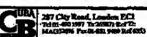
Expocuba says that Cuba has come of age. The rest of the world will now be saying

71m Coone

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IF ONE were to start from scratch and design the perfect tourist location, with almost unlimited development potential, and a mass market sitting on its doorstep, Cuba would

quite likely be the result.

As the oiggest island in the Caribbean, with some 6,000km of coastline and a further 1,600 small adjacent quays and islands, Cuba abounds in virgin tropical beaches and coral reefs. It has cool mountains covered in luxuriant rain forests and old cities resplendent in their Spanish colonial archi-tecture. Together with its rich and colourful history, the country is a hotel developer's and tour operator's dream.

It should not be surprising, therefore, that tourism development now ranks as one of Cuba's top economic priorities. According to Mr Alberto Betancourt Roa, the deputy minister for foreign trade: Tourism will in future be our biggest hard currency earner." The \$120m in hard currency

which at present comes in annually from tourism, is expected to grow as much as ten-fold by the year 2000; the result of an ambitious development plan which will increase the number of hotel rooms in the principal tourist resort of Varadero from 3.000 to 30.000 rooms, will expand and renovate the hotels in Havana and open up beaches and tourist resorts elsewhere.

The two state-run companie in charge of this development Empresa Turista de Varadero (ETV) and Cubanacan SA are expected to complete 5,000 new rooms at Varadero alone in the next three years. According to Mr Abraham Maciques, the director of Cubanacan, by 1995 his firm will have completed

Tourism is seen as a top hard currency earner

# Just pay in dollars

throughout the country with a projected investment of \$1.8bn. To achieve this target, the Government has assigned its leading construction firm, Uneca, to take charge of the building of the new hotels. (Uneca is the firm that was building the runway on the island of Grenada before the US invasion of 1983). But even more significantly, Cubanacan, which was formed in 1987, has been accorded an unprecedented status that is unique in the Cuban economy. It functions as an autonomous enterprise within the state.

As one foreign journalist in Havana commented: "It is perestroika through the back door, although nobody dares call it that."

Cnban laws on foreign investment and labour codes have even been amended to give foreign partners manage ment control in the new hote developments, including con-trol over staffing levels and the right to hire and fire. For us the most important factor is not the capital but the know-how and marketing capacity of the foreign companies," says Mr Macique

nies," says Mr Maciques.

He says that the aim is to provide quality service and good management to attract a more up-market tourist and to increase the average expendi ture of visitors to \$80 a day from the present \$50. Cubana-can is focusing on four- and five-star hotel development.



Hotels under construction in the holiday resort of Varadero

So far it has formed six joint ventures with Spanish, West German and Austrian partners with foreign capital comprising up to a 50 per cent maximum each venture's investment. Mr Maciques says that Cubana can's partners "have some of the biggest tour operators in the world behind them, so we have no worries about achiev-ing high occupancy rates."

Room occupancy rates at Varadero currently run at a very acceptable average of 75 per cent throughout the year and even the slacker periods for foreign tourists, around May-August, are then made up by the influx of Cuban tourists taking their summer holidays. A director of ETV says that many Cuban tourists have to be restricted to only one

of the lack of room space.

At present, the higgest single category of foreign tourists is from Canada, although there has also been rapid growth from West Germany, Raly and France over the past three years. According to Mr Maciques, when the extension to the Varadero airport is com-pleted in September this year the Western European market should grow rapidly with the availability of direct flights and the ability of the airport to accept large capacity jets such as the 747 and the DC10.

Mr Juan Barrera, the direc-tor of ETV, says that the airport has so far been the main bottleneck to more rapid expansion of Varadero, the other being the lack of multi-

CIGARS

lingual staff in the hotels. "The language problem will take a little longer to resolve, but we now have a training school at Varadero." Language training is now part of the curriculum for the school's 500 students. alongside their studies in catering and hotel administration.

Hotel and restaurant staff wages have been raised to some 30 per cent above average levels for factory-floor and office jobs, to attract better employees and to act as an centive to improve standards in the service sector. Mr Barrera says that the percentage of Canadian tourists who return for a second holiday in Cuba are still only some 16-17 per cent. "The ideal target would be 30 per cent, but we

are on an upward trend.\*

Public transport continues to be a problem in Cuba. Indeed, it has even deteriorated in the past few years due to foreign exchange shortages. That makes both urban and inter-city travel difficult, for those visitors that wish to rub shoulders with everyday Cubans and not have to depend upon group tourist buses, hire cars or "turistaxis" that have to be paid for in US dollars. As one Brazilian tourist visiting Cuba on a shoestring budget commented "It is rethered that mented: "It is rather odd that in a country with no economic relations with the US, the only currency a foreigner is allowed

to use here is US dollars."
The dollarisation of the tourist market is highly developed, with few purchases in local currency being feasible apart from books, unfashionable clothes, and maybe a coffee at a roadside refreshment stand. This sometimes creates tensions in restaurant queues when dollar-wielding tourists

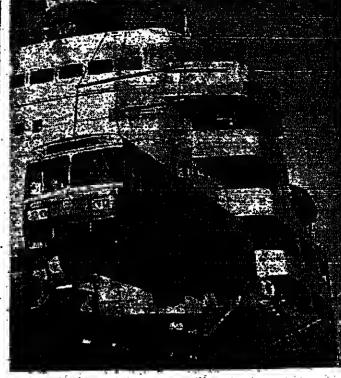
sweep past local Cubans who have sometimes had to queue for hours to obtain a table. The reason is clear enough, to keep the flow of dollars through the black market to a minimum. but as the influx of foreign tourists grows the problems

are likely to increase Mr Maciques says that the development plans do not depend on an opening up of the US market, but nevertheless they do take such a possibility into consideration. An esti mated 3m US visitors travel to the Caribbean each year and just a 1 per cent diversion of those to Cuba would more than double the existing number of foreign tourists visiting the

Should a thaw in relations occur, the existing facilities could be in danger of being swamped simply from the scores of thousands of Cuban exiles living in Miami who would most likely wish to visit their country after so many years of absence. "But for every Cuban exile, there would be three or four other Americans interested in coming." says Mr Maciques. Thus, if Cuba can iron out

the crinkles in its tourism development plan, there is a real possibility that tourism may once again becoming one of its biggest money-spinners. For Varadero is just the beginning: Cayo Coco, a 35 km stretch of virgin white sand, coral reefs and crystal-clear water has been earmarked for the next phase of development towards the end of the century. "Cayo Coco has the capacity to absorb 40,000 hotel rooms. It is another Varadero," says Mr Macigues.

Tim Coone



# Leyland's best

THE 1964 contract awarded by the Cuban Government to British Leyland for the supply of 450 buses was the

company's largest in two years and went shead despite US pressure. The buses became the work-horses of the

country's inter-city and long distance passenger transport. Despite intense use, the buses proved exceptionally robust. Most have now either been retired or restricted to

of the island, based round Villa Clara. Of the Olympic 111 models, there are 19 operational, only three with the original engines. A forther 20 of Olympic 79

are in use. The Ministry of Transport regards the Leyland bus "as one of the finest pieces of equipment used since the triumph of the Revolution."

Robert Graham

FOR CIGAR smokers, the date phrase from Franklin Roosev-elt, "a day that will liva in

infamy. It was on that date that President Kennedy of the US, in office just six weeks, announced the imposition of an immediate ban on all imports from Cuba, then at the height of its anti-capitalist, revolutionary fervour, marked by wbolesale nationalisations without compensation of virtually all its industries, many of which were US-owned.

The trade embargo meant an immediate stoppage of shipments to the US of such Cuban staples as sugar, refined petro-leum products, nickel, rum, tobacco and the product for which the island republic is most famous, hand-rolled cigars. Mr Pierre Salinger, the president's ebullient press sec retary, now head of the US ABC News network in London, recalls that momentous day as

if it were yesterday.
"The president called me into his office one night and said: I need 1,000 cigars fast. Go oot and see what you can do before tomorrow morning. He smoked petite Upmann say why he needed them. I saw him the following morning and told him: 'I did better than expected. I've got you 1,200.' He

thanked me, then took out of his drawer the Cuban trade

An early example of insider trading at the highest level, perhaps, but 28 years later, the trade embargo is still rigidly enforced; with few government-approved exceptions, no Cuban goods may officially enter the US. Unofficially, it is another matter. For decades, cigar merchants abroad, espe cially in tha UK, Canada, Spain, France and Switzerland, have been deriving a substan-tial portion of their earnings from US tourists.

package Havanas anouy-mously, removing incriminatthat they're from the Canary Islands," they counsel their American customers, and occa-sionally admit to inquisitive journalists, though never for ttribution.

There is no telling just how much this business is worth, but that it goes on is proof positive that the Cuben cigar industry did not collapse as a result of the loss of its biggest

gence of the anti-smoking lobby, the trade is in surprisingly good health after some admittedly bad years, not

A glow in the Havana trade

The merchants will now ing cigar bands and steaming or burning off cigar box labels. "Just tell New York customs

helped by the decision five years ago by President Castro to give them up - a serious blow by any standards to the export efforts of a country badly in need of public rela-Mr Francisco Padron, tha head of Cubatabaco, the state monopoly, said in an interview in London recently that the

country was producing 300m cigars a year, most of them hand-made. That is about what was produced before the revolution. Spain, Cuba's colonial master from the days of Col-imbus until independence in 1898, remains by far the biggest importer, taking some 30m a year, followed by Switzerland 10m, France at 9m and the UK 5m. Mr Padron claimed that some 1m a year sold in Moscow find their way into the diplomatic, pouches of US embassy officials. A total of 80m cigars are

exported yearly, not to men-Cuba's dollar shops to tourists. In all, the trade is worth about \$50m a year in hard currency to Cuba's troubled exchequer.

Until the early 1980s, Cubata-baco had left the responsibility for marketing entirely in the hands of foreign importers, such as the Tabacalera monopoly in Spain, the Regie de abac in France and a core of individual importers such as Hunters & Frankau, Joseph Samuels and Knight Brothers in the UK and Davidoff and Gerard Pere et Fils in Switzerland, In recent years, Cubatabaco has undertaken what for it is an aggressive, selective campaign in the West. "Wa are only just beginning to learn about marketing," says Mr

This is good news to importers, who well recall the tough times the trade went through in the years following the revo-lution of 1959. The impact of the revolution

was not immediately felt, and the Castro regime went through an 18-mouth honeymoon lasting before its nationalisation intentions became clear. As a result, the halcyon days of the cigar trade in the 1950s looked like extending into the 1960s

As historian Hugh Thomas points out in his book, The Cuban Revolution, some 350m cigars were smoked in Cuba and another 40m or so were exported in 1957. Tobacco was grown ou a quarter of all farms. Workers in tobacco fac-tories numbered 35,000, and there were 50,000 tobacco selectors and 8,000 twisters of leaf. Farmers included, the sector

employed 130,000.

The cigar trade produced about 1,000 different brands, many of them "own label" marques for specific clients, including many of the world's famous restaurants, such as Rules in London, According to US trade figures, the US imported 11m cigars in 1949, and US itself produced 141.5m cigars made from Cuban to 28m by the end of the Batista regime.

The industry was dominated by American-owned groups, among them the Cuban Land and Leaf Tobacco Company and the American Tobacco Trust, now American Brands, proprietors of such famous,

UNECA rons all over the world and offers: Any kind of construction Expedenced professionals • Designs Coestroction managements

and now passée, marques as La Corona and Henry Clay. Even well-heeled individuals, such as film magnates Sir Alexander Korda and Daryl Zanuck of Twentieth Century-Fox, teamed up to buy a piece of the action to feed their enormous consumption, reckoned to be

two boxes a day between them. The big cigar producers before the revolution were fenendez Garcia, Cifuentes, Tabacos Rey del Mundo, J. Palacio, Tabacalera Moya and Romeo y Julieta, the last brand being the favoured marque of Sir Winston Churchill. All of this came to an end

with enforced collectivisation:

under the supervision of Ernesto "Che" Guevara, who the early 1960s. It was not a such as Jamaica and the Philippines. In more recent years, Dominican Republic, Honduras, Brazil, Puerto Rico and Florida have moved into the field, where their cigar produc-

tion is almost invariably dominated by expairiate Cubans.

The refugee problem immediately savaged the Havana cigar trade, as did the new Government's proposal that all the famous old brands be scrapped in favour of a generic "people's" tigar. Pressure from importers and recognition by the Government that it could not sustain a prolonged loss in hard currency earnings from the Havana trade persuaded it to maintain several dozen of its

most famous names.
The long, slow road to recovery got under way in the 1970s, ery got under way in the 1970s, though its was not helped by serious crep losses at the end of the decade caused by the blue mold epidemic. As importers will attest, sailing has been much smoother in the 1980s, and the Havana cigar trade has in effect regained its macy, over "made by Cubans, imposters from neigh-bouring states.

That is, except for the US. pleasant time. Importers found of them bearing famous names, their supplies drying the and such as Upmain and Partagas, began to turn to other sources. Hough without the critical such as Jamaica and the Phi. Cuban Government seal of authenticity. European import-ers, acknowledge that there could be a shortage of Havanas US cou should trade peace break out over." between the US and Cuba after 28 years of embargo. There will

certainly be a loss of US tourist custom this side of the Atlantic and there would be a wrange over brand names. Only a few brands, such as Bolivar, Romeo y Julieta, Davidoff and Dunhill, are protected Cuban marques. Dunhills in London recently stepped up its imports of Havanas and, among all brands, is probably best poised to serve the US market if the barriers come down.

Meanwhile, Cubatabaco is devoting its attention to pro-tecting the trada name of Cuban tobacco and promoting its image, It has taken out some 80 legal actions against misuse of the name and counterfeit operations (especially filling the shelves of duty-free shops). Of these actions 40 have been settled out of court. The company is also reviewing its European retail activities in the light of 1992, trying to ensure more direct control of distribution.

Mr Padron of Cubatabaco says Havana wdfid welcome a revival of US trade but adds: "As for the problem of the dif-ferent brands, that is not for us to solve. The Europeans, who supported us through these difficult years, would continue to get priority treatment - the US could have whatever is left

. Frank Gray







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# **FINANCIAL TIMES** COMPANIES & MARKETS

Friday February 17 1989



INSIDE

VW makes good start to 1989



West German motor group, is expecting another strong year. In 1986 after increasing sarnings and improving its cost structure during 1988. Car sales have been been been and increasing in the cost structure during 1988. been buoyant recently, despite expectations of a

downturn in major European markets, and Mr Carl Hahn, chairman, says: "it seems after such a good December and January that the optimistic forecasts in our budget for 1969 will

Sweet and sour Caribbean

The days when sugar was King in the Caribbean are long gone. Low world prices mean that a large part of the region's crop is pro-duced at a loss and the industry is in decline. Sugar exports are still a vital source of hard currency earnings, however, and the labour-in-tensive industry remains a very important employer. Canute James looks at how Caribbean countries are confronting the dilemma this poses. Page 32

Telco at the crossroads



There is a good deal of soul-searching going on at Telco. What India's largest vehicle manufac turer and second-largest private-sector group has to decide is whether it. like other East Asian car makers, should push hard into world markets. Also on the agenda la the possibility of draw-

ing on the resources of its parent Tata group to make a breakthrough into new product areas, such as electronics and aerospace. David Housego in New Delhi explains how Telco, headed by Mr Ratan Tata (above) has aiready begun to place more emphasis on exports. Page 23

BT growth rate slackens



200

- 5

British Telecom's ached £623m in the three months to the end of December 1988, a 7 per cent Increase on the £582m of the comparable period in 1987. The results repreof the company's

growth, which has been running at about 10 quarters. Page 31

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Ford advances strongly for third year running

FORD, the world's second largest automotive manufacturer, made accord profits in 1988 for the third year running. All the earnings increase was due to Ford's perfor-

increase was due to Ford's performance in the booming European car market, while US automotive profits fell almost 10 per cent.

Earlier this week, General Motors reported record results which displayed a similar geographical pattern of hig advances in Europe offsetting a flat performance in the US.

Ford's annual income of \$5.3hn or \$10.95 after tay was 14.6 per

or \$10.96 after tax was 14.6 per cent up on the \$4.62bn or \$9.05 reported in 1987. Its income in the fourth quarter was \$\$1.16bm or \$2.42 a share, 24.2 per cent higher than the year-earlier profit of \$932m or \$1.87. The results were in line with analysis expectations and Ford's share price was unchanged for

most of the morning at \$54%: US automotive profits were down 9.4 per cent at \$2.5bn, while overseas profits more than dou-bled from \$1bn to \$2.1bn. Ford said its US profits were

hit by high marketing and prod-uct costs as well as an unfavoura-ble mix of products, with sales of lower-priced models growing fas-



Donald Petersen, chairman of Ford - increased share

ter than those of higher priced

These negative factors were only partly offset by continuing improvements in productivity and growing market share. Ford increased its share of the US car market by 1.5 percentage points to 21.7 per cent, the highest level in 10 peace. benefited from record industry volumes as well as operating effi-

Strong market conditions also boosted profits in Asia, while in Latin America, Autolatina, the newly-formed joint venture with Volkswsgen, produced "favoura-ble results."

Factory unit sales of cars and trucks in the US and Canada increased by 4.8 per cent to 1.076m. Unit sales in the rest of the world grew by 20.9 per cent to

Ford's worldwide revenues increased by 16 per cent to \$92.4bn. This was a much faster growth rate than the 8 per cent reported earlier this week by General Motors and put Ford, which overtook GM in terms of profits two years ago, less than 20 per cent behind its traditionally dominant US rival in terms of

sales.
Ford's fourth quarter revenues were \$23.9bm, 14 per cent higher than the year before.
Ford's financial service operations contributed \$691m to

the year's net earnings. This was 19 per cent lower than in 1987, reflecting lower net interest mar-

In Europe, the company said it STOREHOUSE Share price relative to FT-A Ali-Share index Coming to see

# troubles in store

Maggie Urry looks at the problems that led to Storehouse's dramatic rationalisation programme

Michael Julien That was the confident cry in January 1986 from the urbane Sir Terence Couran, then public company Storehouse had become - as acknowledged by the appointment of Mr Julien. Furthermore, with the benefit the retailer with the golden of hindsight, the group failed to touch, as he put together what at first glance seemed a rather implement important structural changes at the time of the merger and did not keep as ruthless a check on performance measures

improbable merger. One partner was his Habitat-Mothercare group, selling trendy products in niche areas of home furnishings and childcare. The other was British Home Stores, a huge but dowdy high street giant which had long played second fiddle to Marks and Spencer.

The combined group was given a fashlonably simple title: Store-house. The plan — which a somewhat dublous City of London swallowed in the middle of a retailing boom — was for Sir Terence to inject his undoubted design skills into BhS. But, as he insisted, this would take time.

Almost exactly three years on.

Almost exactly three years on, and with deeply ironic timing, Storehouse yesterday unveiled a drastic rationalisation programme which will cost £48m in exceptional provisions and slash pre-tax profits to well below last year's £107.3m.

Difficulties at Storehouse are Difficulties at Storehouse are not entirely new. It was the group's lacklustre profits performance which attracted two cheeky bids, or bid approaches, in recent years from the small company Benlox and from Mounteigh, the property business. A further sign of vulnerability to a bid has been the acquisition in recent months of 6.1 per cent stake by Mr Asher Edelman, the New York arbitrageur.

New York arbitrageur.
Acknowledgement that a shake-up was needed came last June when Mr Michael Julien was appointed as chief executive. taking over the day-to-day running from Sir Terence. Yesterday's announcement rep-

resented the first fruits of the strategic review Mr Julien set in train shortly after his arrival.

And it underlines the scale of the problems at Storehouse, the rea-sons for them, and the prospects for the company to recover — or be taken over — against what

has become a depressed and cut-throat retailing background.

Many of the group's current difficulties seem to stem from managerial problems. Sir Ter-ence, who founded Habitat in the 1960s, built it up, took it public, and went on to take over other retail groups, has had clear tal-ents as a designer who could appeal to the mass market consumer as well as the style-con-scious middle classes who flocked to Habitat in its early days...

Yet he was obviously frus-

trated by the nitty gritty work

involved in running the large

three years ago when the retail sector was still booming, Store-house might never have had to go through this pain. Now, when times are tougher, it looks all the harder to do. Storehouse had a poor Christ-mas period, with sales down by

Yet analysts suggest that if these actions had been taken

- such as stock control - as it

could have done.

"To be blunt," admitted Mr
Julien yesterday, "the provisions
we are making today are really
only those that should have been

made at the time of the merger in

The provisions we are

really only those that

made at the time of

the merger in 1986'
- Michael Julien

Developing compatible information technology across the

whole group and reducing the munber of data centres from six

making today are

should have been

over 2 per cent in the vital four weeks to mid-December. Sales in the second half are only 3 per cent up, which means that vol-ume in comparable stores is slightly down. The effect that falling volume has on margins, in a business with high fixed costs, is dramatic. Analysts doubt whether the cost cutting moves will be sufficient to make up for any larger volume fall. Moreover, analysts believe that

not all the blame for Storehouse's

current trading problems can be

put on the recent increases in interest rates. Other stores groups have not apparently suf-fered as severely. Both Mr John Richards, retail

analyst at County NatWest WoodMac and Mr Nick Bubb his rival at Morgan Stanley, say that the heart of Storehouse's problem is that it is not generating the sales volumes it should.

Mr Julien agrees, saying "the way forward for Storehouse clearly depends critically on getting the sales line up, getting the customere into our stores and shops and persuading them to spend their money on our merchandise and not somebody

BhS, which is by far the largest contributor to the group, has undergone a major redesign, but this has perhaps confused cus-tomers in the short term. Its new clothing ranges have won plau-dits from fashion journalists, but to an average shopper brighter, better designed goods suggest

higher prices.

The BhS advertising line is that "everything's changed but the price." Its position is still that of a value-for-money store, but with an improvement in quality. Storehouse says the new BhS shops are seeing sales gains of 10 per cent more than the old ones and Mr Julien argues that it takes a long time, perhaps years, to change a shop's image in the eyes of its customers.

Though the group is clearly vulnerable, it would be a brave predator who launched a bid now, given the company's basic

Mr Julien is convinced that yesterday's provisions are a one-off measure. "There will be no more write-offs," he asserts, "that'e why I took time to do it." By taking a tight grip on the group and containing costs he hopes that Storehouse can ride through the storm which is buf-feting the retail sector at the financial data. Analysts, who had already downgraded forecasts sharply, are now looking for around £65m to £70m before the £48m exceptional item. After that item, the £36m dividend will not be covered - yet Storehouse has decided to maintain the payout, justifying that by referring to the group's financial position and

future prospects. But for that decision, analysts say, and the residual bid hopes, the shares would have fallen far further than the 9p they dropped to close at 170p last night.

Yet, even with the £100m addition to assets through a property revaluation, net assets per share are estimated by the City at around 140p.
Even without a hid, Storehouse

has a long haul back to City favour. The analysts think that next year's profits will at best show only a slight improvement from the pre-exceptional level. Mr Julien said yesterday: "We are being realistic. We are prom-ising no quick fixes." But nor was Sir Terence three years ago.

# plans capital increase

By Tim Dickson in Brussela

GENERALE de Banque, Belgium's largest bank, yester-day announced a three-part capi-tal increase which will boost its equity by BFr13bn (\$340m) and strengthen its already close links with Banque Generale du Lux-

The main feature of the operation is a one-for-six rights issue for existing shareholders at a

price yet to be announced. There will also be an issue to Banque Generale du Luxem-bourg of 120,000 new shares (equivalent to 1 per cent of the Belgian bank's capital) as well as a small capital issue reserved for

The bank's share price eased BFr40 yesterday to close in Brus-sels at BFr6,530.

Generale de Banque is currently going through an impor-tant transitional phase under its new chairman, Mr Paul-Emman-nel Janssen, brother of the chair-man of Solvay, Belgium's major

man is Sovey, beightin a indicate chemical group.

In particular, the bank is working towards a February 1991 deadline for full integration with Amro Bank of the Netherwith Amro Bank of the Nether-lands, though Mr Janssen sur-prised many analysts by high-lighting the problems of the planned merger in a joint inter-view this week with the news agency Reuter and the Financial Times.

In announcing the proposed capital raising measures yester-day, Generale de Banque con-firmed that it intended keeping its state in Banque Generale du Luxembourg at 44 per cent. It said: "Toe two banks are strengthening their links with

the aim of pronoting joint initia-tives and preparing for the chal-lenge posed by the European sin-gle market."

This was being done "as part of the integration process being studied by Amro and Generale

At the moment, Amro and Generale each hold just under 10

per cent of the other's stock.

The issue of shares to Banque
Generale du Luxembourg will
take place on March 21 at the
average market price in the days before the operation, adjusted to allow for the difference in dividend rights.

At the same time, the conditions governing the rights issue and the issue for staff will be decided, with the price to be fixed on March 81.

# Generale BP profits rise de Banque 10% to £1.43bn

By Max Wilkinson in London BRITISH PETROLEUM yesterday announced an increased dividend of 13.5p per share for 1988, 1p higher than for 1987, with a 10 per cent increase in its after-tax profits on a replacement cost basis.

basis.

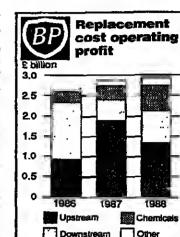
The results followed what Sir Peter Walters, the chairman described as "a very solid underlying performance", despite the company's recent efforts to free itself from the dominance of a 21.7 per cent Kuwaiti shareholding and negotiations to sell its minerals business to RTZ for minerals business to RTZ for

In the last three years, BP has maintained a remarkably steady profit record on a rising trend, despite large swings in the oil price, which have been reflected in widely differing contributions from its exploration and produc-

tion its exploration and produc-tion, refining and marketing and its chemicals operations. In 1988, a 30 per cent fall in exploration and production profit to £1.38bn was offset by a 62 per cent rise in refining and market-ing profits to £769m and a 126 per cent profits rise for the chemicals sector to £514m. The minerals operations increased profits 141

per cent to £304m. The group's results for the full year showed an after-tax replacement cost profit of £1.43bn compared with £1.39bn in 1987. On an historical cost basis which includes stock losses resulting from a lower oil price, after-tax profit fell from £1.39bn in 1987 to £1.21bn. Earnings per share fell to 20.0p compared with 24.9p in

Sir Peter told a press conference that these results had been achieved in a year in which the world oil price was \$3.5 per barrel lower than the average for 1987 and 25 per cent lower in sterling



He said further divestments were likely in the coming year to help reduce BP's debt in relation to its equity, but the disposals other than the minerals business would be relatively small, per-

haps totalling around £600m. He also said that a major purchase was unlikely this year, because the company will be trying to strengthen its balance sheet after the purchase in 1987 of the minority of Standard Oil of the US which it did not own, the purchase of Britoil in 1987 and 1988 and the recent purchase of just over half of the Knwaiti

shareholding.

The ratio of debt to debt plus equity, which rose to 50 per cent after the share re-purchase, is expected to come down to below 40 per cent by the end of this

The group's underlying cash generation has been running at about £4bn a year, although the figure was reduced to £3.49bn last year as a result of special factors. Lex, Page 18, Exxon bullish on

# Fresh skirmishing by **Plessey and GEC**

By Hugo Dixon in London

company, delivered a stinging attack on GEC of the UK and

attack on GEC of the UK and Siemens of West Germany over their plans to "carve" it up in a letter sent to both its and GEC's shareholders yesterday.

Sir John Clark, Plessey chairman, told shareholders that they would get the best out of their investment if Plessey remained independent. Carving the comindependent. Carving the com-pany up would destroy the advantages of Plessey's inte-

grated operations, he maintained.
GEC immediately hit back by
pointing out that Sir John had
consistently sold Plessey shares over a number of years. He held this year, down from 1,041,990 at the end of March 1984.

"If sbarebolders of Plessey should wait until the full value of their shares becomes apparent, how strange that Sir John Clark now strange that Sir John Cara is a persistent seller of shares year after year and, in the cur-rent year, even at as low a price as 154p." Mr Malcolm Bates, GEC deputy managing director said. Plessey's shares closed last night at 255p.
Sir John was particularly criti-

cal of new plans by GEC and Siemens for dividing Plessey's defence business between the two

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For fast accurate property advice whether you want to buy or sell

On 1 a THE CROWN CENTRE, CORONATION ROAD, HIGH WYCOMBE We represented Allergan Ltd, the eye care company, in acquiring this leasehold 55,000 sq ft high office conteot warehouse.

യം **2** ംഗ UNIT 2, THE SUMMIT CENTRE, BATH ROAD, HEATHROW We represented Gaggenau Electrics UK Ltd io acquiring this leasehold 21,000 sq ft high office content warehouse.

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FORSYTH ROAD, WOKING Following a selective marketing campaign we sold this 1.56 acre development site on behalf of Con Mech Ltd.

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THE SPIRE GREEN CENTRE, PINNACLES WEST, HARLOW We represented Laing Properties UK Ltd, in the acquisition of a 7.1 acre site. We are now retained as sole agents to let an industrial development comprising 160,000 sq ft of new

( 5 a)

BROOKLANDS INDUSTRIAL ESTATE, WEYBRIDGE We have acquired three separate sites on the 350 acre industrial estate. We represented Tesco in acquiring 180,000 sq ft of purpose designed warehouse space and acquired a further 4.9 acres of adjoining land. In addition, we represented AC Holdings in acquiring 90,000 sq ft of purpose designed factory space.

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CONCORD ROAD, ACTON, LONDON, W3 We represented Royal Mail Parcels in acquiring the leasehold Interest of the former Coca-Cola Distribution Depot. The Depot was originally purpose built for Coca-Cola and comprises around 90,000 sq ft on 5.25 acres.

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### INTERNATIONAL COMPANIES AND FINANCE

# hits fresh problem on **Ausimont**

By Alan Friedman in Cologne

A CONTROVERSIAL attempt by Italy's Montedison Group to buy out minority shareholders in Ausimont, the group's Wall Street-quoted specialty chemicals subsidiary, ran into

fresh trouble yesterday.

Oppenheimer, the New York investment firm, revealed it had boosted its Ausimont stake to 5.2 per cent and con-sidered the Montedison offer

A \$35 a share offer for the 27.4 per cent of Ausimont not owned by Montedison has already attracted criticism on Wall Street, because Ausimout's four independent direc-tors consider the offer to be

The ontside directors are angry with Mr Baul Gardini, chairman of the Ferruzzi-Montedison Gronp, because they believe a Morgan Stanley study of the break-up value of Ausimont last year placed a value on the company that was significantly higher than \$35 a share.

Oppenheimer, in a filing with the Securitles and Exchange Commission, has said it agreed with Austmont's dissenting directors and will

not accept \$35 a share.
Yesterday morning, on the
New York Stock Exchange, Ausimont shares were trading at \$35%. Oppenheimer is clearly boping Mr Gardini will extend and increase the offer for the Dutch-registered Ausimont. At \$35 a share the offer

would cost Montedison \$280m. The Montedison offer for Ausimont minority stock was dne to expire at midnight yes terday. But under Dutch law Montedison requires 95 per cent control of Ausimont, if it wisbes to force minority share bolders to sell their

The results of the Montedi son bid for Austmont minority shares will be known today, but given Oppenheimer's 5.2 per cent stake, the New York firm may be able to stop Mon-tedison from taking full con-

In Milan, Montedison last night said it had to comment to make on the Anslusont

# Montedison JC Penney reports flat profits on lower sales

By Roderick Oram in New York THE difficult US retailing environment was underscored yesterday by reports from J.C. Penney of flat profits on lower sales for the latest quarter and from Carter Hawley Hale of slimmer earnings on higher

J.C. Penney, the third largest retailer, bad net earnings of \$296m for its fourth quarter ended January 28, unchanged from a year earlier.

A gain of \$139m on the sale of its former New York City headquarters made final net \$435m, or \$3.28, while a year earlier loss on the sale of its Belgium operations made final Belgium operations made that net \$280m, or \$1.93. Revenues slipped to \$4.95bn from \$5.05bn. Gross margins improved but "promotional activity was substantially reduced" in the latest quarter. Selling, general and administrative expenses rose 5 per cent from a year earlier.

\$4.96 a sbare, down from \$706m, or \$4.77 a year earlier.

AMES Department Stores of the US is considering offers for the G.C. Murphy discount store chain, just four years after acquiring it in a \$200m takeover battle.

The division's management has made a leveraged buy-out bid. McCrory, the US group which operates 1,300 general merchandise stores, has also expressed interest.

The gain from the building sale made the final net \$807m, or \$6.02, while \$82m of relocation charges and the Belgian loss cut year earlier net to \$608m, or \$4.11.

Revenues slipped 2.9 per cent to \$15.3bn from \$15.75bn. Gross margins were higher despite the adverse effects of discontin-uing sales of home electronics, hard sporting goods and photographic equipment in its stores and higher inventory accounting charges.
Mr William Howell, chair-

man, said Penney was well

positioned to respond to consumers buying patterns. He added: "The expansion of

women's apparel offerings and the continued strengthening of men's and women's apparel and home/lesiure merchandise will result in significant opportunities for J.C. Penney.

Carter Hawley Hale, a Los Angeles-based department store group, turned in net prof-its for its second quarter ended January 28 of \$13.6m or 63 cents a share, after a charge of \$8.3m for early retirement of

The year earlier net was \$20.3m, or 94 cents. Sales were \$330.7m, against \$665.9m, or 6.5 per cent higher on a compara-tive stores basis.

The first-half net was \$24.9m,

or \$1.15, after the debt charge and a \$15.3m gain from an income tax accounting change. Year earlier net was \$31.1m, or \$1.33, after a \$10.1m gain from capitalising inventory costs while sales edged ahead to \$1.57bn from \$1.42bn.

# ABB challenged on Canada bid

By David Owen in Toronto

THE CANADIAN Burean of Competition Policy is to challenge Asea Brown Boveri's pro-posed acquisition of Westinghouse Canada's power transmission and distribution equipment businesses on the grounds that the deal could lead to "a substantial lessening of competition."

Earlier this week, the Swedish-Swiss electrical engineering group secured US Justice Department approval for a joint venture with Westinghouse Electric, the US parent, in

the same business sectors. The group had to abandon a smaller venture in steam turbines, however.

The case will now be referred to the Canadian Competition Tribunal, an independent, quasi-judicial body established in June 1986 under the country's new competition act, for adjudication. It will be only the fifth deal to be referred to

the body since it was set up.

The tribunal's primary task
will be to adjudge whether a
substantial lessening of compe-

tition would indeed occur. It can still allow the transaction to proceed, however, if it con-siders the deal "likely to bring about gains in efficiency that will be greater than, and will offset, the effects of any prevention or lessening of compe-

The sale would involve six Westinghouse Canada plants, which employ close to 25 per cent of the company's 6,300strong workforce. In 1987, Westinghouse Canada had sales of almost C\$800m (US\$676m).

# Rise in new policy sales boosts Sun Life

By David Owen

SUN LIFE Assurance, the large Toronto-based life insurance group, has reported record earnings of C\$589m (US\$499) buoyed by strong growth in new policy sales and the continued expansion of the com-

pany's reinsurance business. The figure represents a sharp 27 per cent increase over 1987 earnings of C\$462m.

Total assets managed by the group rose by 9 per cent to

In all, the face amount of the company's new life insurance sales rose 83 per cent to C\$56.7hm. UK sales were 42 per cent higher than year-ago

The sum of life insurance in force, meanwhile, crossed the

C\$200n threshold, rising by 16 per cent to C\$202.4bn.
On a less positive note, the company's tax expenses increased sharply by 25 per cent to C\$72.5m. Mr John McNeil. chairman, blamed domestic income taxes, including a new investment income tax on the life insurance busi-

# **Intel sues** chip maker for 'stealing secrets'

By Louise Kehoe

INTEL, THE leading US microprocessor manufacturer, has accused a small Silicon Valley start-up company with stealing some of its most precious trade secrets.

According to a suit filed by Intel, UISI System Technology has used confidential information in its efforts to replicate
the Intel 387 chip, which
works alongside the Intel 386
microprocessor to boost the

microprocessor to boost the performance of personal computers or workstations.

UISI had planned to enter into a technology sharing agreement with Advanced Micro Devices, one of Intel's main competitors, which has been attempting through a protracted legal battle with Intel to obtain licenses to manufacture the 386.

Intel to obtain licenses to manufacture the 386.

AMD said yesterday it has been in talks on a proposed deal with ULSI, but that the arangement was now "on hold." It said: "Information has been transfered to AMD. A clause in the proposed agreement warrents that ULSI has not made use of any proprietary information." AMD is not named in the Intel suit.

Intel said ULSI had obtained

documents relating to the 386, the 387 and a 64-bit micropro-cessor which has yet to be

The 386 is intel's top selling microprocessor, and is used in many high performance permany high performance personal computers. The chip cost Intel \$100m to develop. To date, it has refused to license the manufacture of the 386 and related chips. According to industry experts several parties are working to "reverse engineer" the chips to offer equivalent products.

The 64-bit microprocessor mentioned in the complaint is believed to be intel's next generation microprocessor which the company is expected to unveil later this month. Intel obtained a temporary order preventing ULSI from making or marketing chips that use Intel secrets.

Intel secrets.
ULSI had no comment on the Intel suit. According to court filings, ULSI claims to have made no use of the Intel propreitary information in its efforts to "clone" the 387 chip.

# **Acquisitions help** Campbell Soup to record earnings

By Karen Zagor in New York

CAMPBELL SOUP, the largest producer of canned soups, yes-terday announced record sales and earnings for the second quarter and first half. The group attributed the strong results to gains in domestic core brands and international acquisitions.

Net earnings for the quarter which ended January 29 rose by 12 per cent to \$94.9m, or 73 cents a share, compared with \$84.6m or 65 cents on sales by 18 per cent to \$1.58bn from

For the first half, net income increased 12 per cent to \$164.2m or \$1.27, from \$147.0m or \$1.13, on sales which advanced 16 per cent to \$2.92bn from \$2.51bn. Last year's net excludes a \$32.5m gain from a change in income tax account-

ing.
Mr Gordon McGovern, president, said: "All of Campbell's operating divisions - Campbell USA, Campbell International, Pepperidge Farm and Campbell Enterprises - scored impressive sales and operating earnings gains despite increased cost pressures affecting ingredients and packaging."

Campbell International's earnings for the quarter leapt 84 per cent to \$23.7m while sales improved by 51 per cent to \$403.7m. Sales in the UK and Australia led the international sector, largely due to the acqui-sition of Freshbake, a UK frozen foods business, and to a strong contribution from Arnotts, an Australian cookie

producer. Campbell USA's operating earnings were up 13 per cent to \$124.5m, boosted by strong per-formances from several traditional businesses, including

fional businesses, including Franco-American pasta and gravies; Swanson dinners and V8 juices. Fepperidge Farm, which pro-duces bread, cakes and similar products, recorded improved sales of \$146.6m from \$130.2m. Earnings rose to \$16.4m from

Earnings for Campbell Enterprises rose to \$13.6m from \$12.8m on sales of \$101.0m from \$97.8m. The group said the division's improvement was led by a strong performance from its food service unit. Godiva chocolates had the best holiday season in its history.

# Norsk Hydro at all-time high after 65% leap

By Karen Fossil in Osio

NORSK HYDRO yesterday amounced record net profits of NKr3.4hm (\$508.6m) for 1988 --up 65 per cent - thanks to strong performances in light metals, petrochemicals and fertilisers and by the restructured agriculture division. Group turnover rose by 10

per cent to NKr60bn from NKr54.5hn. The company, the largest stock market listed group in Norway, is increasing its dividend from NKr3 a share to NKr3.75.

The agriculture division had

an operating income of NKr1.35bm, against NKr1.02bm, generated by an improvement in fertilisers despite lower demand in Europe, Oil and gas operating income slipped to NKrl.07bm from NKrl.66bm pri-marily because of lower energy prices.

Light metals experienced an operating income of NKr2.47bn, up from NKr1.62bn due to strong demand for alu-minium and high prices. Extru-sion plants maintained margins as a result of strong demand, although weak mar-gins for rolled products were experienced.

Lower production, plant closure costs and stringent envi-ronmental requirements sup-pressed magnesium margins despite higher prices. Petrochemicals had an operating income of NKr151bn compared with NKr894bn helped by higher PVC prices.

Last year's performance was enhanced by Oseberg, an oil field which came on stream four months before schedule, and the completed acquisition of Hydro Aluminium.

# Peugeot and Dassault to pool research

By Paul Betts in Paris

PEUGEOT, the French private sector car maker, and Das-smit-Breguet, the French sir-eraft manufacturer. are to team up to develop advanced industrial technologies and

The two leading French groups said yesterday they had reached a broad research and development co-operation agreement which could eventually lead to the creation of a joint research and develop-

menf company.
They added that other French and international part ners could be associated in their joint research and devel-

opment initiative.

Pengeot said it considered the agreement with Dassault significant and would associated ate the aircraft manufacturer with Pengeot's medium and long term research programmes to prepare for the evolution of the antomobile

industry. The co-operation with Dassault will enable Pengeot to study the use of aerospace technology and processes for car production.

For its part, Pengeot will provide Dassault with its expertise in robotics, industrial automation and other

manufacturing processes.

The agreement between Dassault and Pengeot reflects a growing trend among leading French industrial groups to strengthen their research and development activities in a more cost effective and com-petitive fashion by pooling, wherever possible, their

### Loss provision for R&D hits Northrop

NORTHROP, the US military aircraft group, was hit in the fourth quarter by a \$150m loss provision for certain classified fixed-price research and development contracts, writes Our Financial Staff.

In the fourth quarter the

group suffered a net loss \$86.1m or \$1.83 a share. against a profit \$34.9m or 74 cents last time on revenues which dipped to \$1.73bn from

# f vou liked the book

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16th February, 1989



(Fnjikura Densen Kabushiki Kaisha)

U.S. \$100,000,000 41/4 per cent. Notes 1993

Warrants

to subscribe for shares of common stock of Fujikura Ltd.

Yamaichi International (Europe) Limited

Mitsui Finance International Limited Kleinwort Benson Limited

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Bank of Tokyo Capital Markets Group Banque Indosuez Robert Fleming & Co. Limited **IBJ** International Limited Manufacturers Hanover Limited Samuel Montagu & Co. Limited NatWest Capital Markets Limited Shizuoka Finance (H.K.) Limited Taiheiyo Europe Limited

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Nomura International Limited Tokai International Limited

ANZ McCaughan Merchant Bank Limited Banque Bruxelles Lambert S.A. Commerzbank Aktiengesellschaft Goldman Sachs International Limited KOKUSAI Europe Limited Mitsui Trust International Limited Morgan Stanley International New Japan Securities Europe Limited Société Générale Union Bank of Switzerland (Securities) Limited Yamatane Securities (Europe) Ltd.

# \$5,000,000,000

# RJR Holdings Capital Corp.

a corporation formed by

# Kohlberg Kravis Roberts & Co.

to effect the acquisition of

# RJR Nabisco, Inc.

\$1,250,000,000

First Subordinated Increasing Rate Notes

\$3,750,000,000 Second Subordinated Increasing Rate Notes

The undersigned acted as agent in the private placement of these securities.

Drexel Burnham Lambert

February 1989

# International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$9,780,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1989 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

Accordingly, on 15th March, 1989 the Bonds so designated for redemption will become due. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, ar the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basle.

The redeemed Bonds should be presented with all Coupons maturing after 15th March, 1989. Coupons maturing on 15th March, 1989 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1989 interest on redeemed Bonds will cease to accrue.

International Standard Electric Corporation

By Bankers Trust Company, Trustee.

10th February, 1989

# INTERNATIONAL COMPANIES AND FINANCE

# Telco plans drive towards wider product base

David Housego reports on the Indian motor group's hopes for a move into electronics and avionics

s Telco, India's largest vehicle manufacturer and the country's second-larg-est private sector company, about to join the ranks of other Asian car manufacturers and become a global producer? Can the company draw on the resources of the rest of the Tata group and break into new product areas such as electronics and aerospace?
Visitors to the company's

main plant at Pune in western India or to its headquarters in Bombay find their questions echoed by the soul-searching taking place within the group over future strategy.

The limited growth opportunities in the domestic market for trucks and buses have already pushed Telco into ligh-ter vans and cars and into placing more emphasis on exports.
Telco, previously known as
Tata Locomotive and Engineering, still holds 70 per cent of
the Indian market for heavier and medium-sized vehicles. These generate about 70 per cent of the group's Rs14bn The company has a new

chairman in Mr Ratan Tata, whose style and interests are widely different from the pre-dominantly engineering preoccupations of his predecessor. Head of Tata Industries, the Head of Tata Industries, the high-tech arm of the Tata group, he holds out the pros-pect of a "brain-storming" on the company's future after March, when the current finan-

"Every company carries with it the baggage of its history," says Mr Arun Maira, export director, in weighing up Tel-co's strength and weaknesses in its search for greater com-petitiveness. Telco's past is that it grew up in a highly protected market where, until a few years ago, government licencing policy essentially confined it to trucks and buses. This straitjacket had some advantages. Telco was able to do some things that few other vehicle companies could barely imagine. It spent years in the 1970s developing a second plant (now its main manufac-turing base) at Pune.

It invested heavily under Mr Sumant Moolgaokar, who



Ratan Tata: hopes to expand beyond the car industry

headed the company for more than 30 years before retiring in December, in engineering facil-ities and training. By world standards, it is a highly integrated plant. It has its own foundry and forge, designs and

builds its own machine tools and supplies itself with a high proportion of components.

The 12,500 strong labour force has an average age of just 32, is as disciplined as in any East Asian factory and has been given multi-skill training. The result is that, once let off the leash in terms of government licensing over its product range, it has been able to exploit its flexibility to bring out new models every 18 months, ranging from trucks through light commercial vehicles to pick-up vans and now cars. It can easily adapt to batch production so as to take advantage of new niches in the

Indian market or abroad.

The disadvantage is that protection and the constraints of government policy kept vol-umes low and pushed np costs. Telco reckons that with group production of heavy and medium-sized trucks running above the 50,000 mark, it has the volume to make its costs internationally comparable.

Telco's major export bope lies in its recent 206 pick-up van, the Tatamobile, which in

costs. Shipping costs from India add 10 per cent to 15 per cent to selling prices. Arthur D Little, the US conthree years has already grahbed over 20 per cent of the Indian market. This is likely to be assembled in Egypt under a sultants, carried out a market survey last year to show bow the Tatamobile would position itself in the US. Its report was more favourable than Telco

General Motors label which Telco hopes will be the starting point for a wider link-up with General Motors elsewhere in Asia and Africa. But, with Pune still producing only 9,000 a year, costs are still high by international standards. Telco sees its Tata estate car, and the other luxury models that could follow, as primarily

aimed for the Indian market. Company thinking is that cars could absorb a quarter of the 100,000 units a year production which Pune could build up to in the next five years.

A factor that overall should help boost Tata's export effort

is the continuing depreciation of the rupee against the dollar. It has fallen by more than 20 per cent during the last year as East Asian currencies have been strengthening.
Against this, Telco suffers from the disadvantages of the

Tata group companies are already involved in a number of these areas. If Telco is to exploit them it will need stronger links with other Tata affiliates. Dnquestionably, that seems to be the direction in which Mr Tata intends to push Indian economy. High prices for steel and other raw materials feed through quickly into

expected but it showed that an Indian vehicle would need to price itself 20 per cent below

other East Asian competitors

suggesting a price of a little over \$5,000 per vehicle.

Mr Tata helieves exports could account for 10 per cent to

15 per cent of Telco vehicle

sales in the near future. But with other car manufacturers

such as General Motors or

Daimler Benz in mind, he clearly wants to expand beyond the car industry into

aerospace and electronics

# **Australian Airlines lifted** by bicentennial year

By Chris Sherwell in Sydney

A SHARP increase in tourism during Australia's bleentennial year last year has helped Aus-tralian Airlines, the Govern-ment-owned domestic carrier, achieve a record profit for the

six months to December.
Figures released yesterday showed after-tax earnings of A\$45.7m (US\$30m), up 28.4 per cent on the same period in 1987, on revenue from operations of A\$666.4m, a rise

of 21 per cent.
Higher income taxes restricted the scale of the group's profit rise. At the pretax level, operating profit actu-ally doubled to A\$74.4m. But last year it incurred no income

The group said the increase in inbound tourism, the bicentenary celebrations and the

staging of Expo '88 in Brisbane for which Australian Airlines was the official carrier, all contributed to the profit increase It also said it was capturing a larger share of the high yield ing business travel market.

Passenger traffic volume was up sharply, with the airline carrying 3.3m passengers and 3.3bn passenger-kilometres. The airline claimed a 51.6 per cent market share against cent market share against Ansett Airlines, its private sector competitor owned jointly

by TNT and News group,
The group is projecting a
profit for the current half of the year lower than the first, and comparable to the second half of 1987-88. It did not disclose the size of the interim dividend it had recommended to the Government.

# AEG buys 20% of Turkish group

By Alan Friedman in Cologne

AEG of West Germany is industrial holding group con-paying more than DM40m trolled by the Kamhi family. (\$30m) to acquire a 20 per cent its home appliance division. stake of the home appliance, which employs a workforce of division of Profilo, Turkey's second largest white goods prosish lira 300bn (\$157m) of sales and produced 750,000 units.

AEC said yesterday the deal The company said it had 50

also provided AEG with an option to buy majority control of Profilo is an Istanbul-based

ALSO said yesterday the deal.

The company said it had 50 per cent of the Turkish refrigerator market, 30 per cent of the washing machine sector and 20 per cent of cookers.

# THE FOOD INDUSTRY

The Financial Times proposes to publish this survey on:

## 18th April 1989

For a full editorial synopsis and advertisement details, please contact:

> Jonathan Wallis on 01-248 8000 ext 3565

> > or write to him at:

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**FINANCIAL TIMES** 

The Hongkong and Shanghai **Banking Corporation** (incorporated in Hong Kong with limited liability)

U.S.\$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES



Notice is hereby given that the Rate of interest has been fixed at 10.3125% and that the interest payable on the relevant interest Payament Date August 17, 1989 against Coupon No. 5 in respect of \$5,000 normal of the Notes will be \$250.24 and in respect of \$100,000 normal of the Notes will be \$5,184.90.

# COMMERZBANK ÖVERSEAS FINANCE N.V.

U.S.\$ 200,000,000 Floating Rate Notes Due 1993

In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 13, 1989 to 1, 1981 to 1, 1982 to 1, and U.S.\$ 12,164.93 on U.S.\$ 250,000 --

> Frankfurt/Main, February 1989 **COMMERZBANK**

### Brierley quits as bank chief

SIR RON Brierley has resigned as chairman of the Bank of New Zealand. Mr Bob McCay. the chief executive, is also to retire along with further senior management changes, reports AP-DJ.

BNZ, New Zealand's biggest commercial bank, also said yesterday it planned to restructure operations and change its international activities.

BNZ recently reported that loan loss provisions for the year ending March 1989 would be about NZ\$375m (\$234m), For 1987-88, provisions totalled NZ\$206.2m, up from NZ\$63.1m the year before,

Sir Ron said yesterday that his resignation arises from dif-ferences with Mr David Cay-gill, New Zealand Finance Minster, over the bank's future strategy. The Government holds 84 per cent of NZB, The new strategy will include developing relation-

ships between the bank and its

offshore operations.

Hopes fade for UAP-BNP link By George Graham in Paris

PROSPECTS for a swift decision on the alliance of Union des Assurances de Paris, the leading French state-owned insurance group, and Banque Nationale de Paris, the largest nationalised bank, appear to have faded.

Mr Pierre Beregovoy, the Finance Minister, has said that be has no objection in princi-pal to the alliance which the two groups have proposed to him, but he has also warned that he did not regard the mar-riage of banking and insurance as a universal remedy, nor the UAP-BNP link as an urgent

BNP and UAP last month put forward proposals for the creation of a common holding company rather than a full merger or an exchange of crossed shareholdings. This solution would require a change in a 1973 law limiting all shareholders other than the state to a maximum of 1 per

MR MARC Vienot, chairman of Société Générale, has laid down his conditions for an armistice in the battle which

capital of the French bank. Mr Vienot said he was ready cent of the capital of a nation-

opposes him to Mr Georges Pebereau, head of Marcean Investissement and the largest

unwelcome shareholder in the

alised insurer. Mr Jean Peyrelevade, UAP's chairman, said last week, bowever, that several proposals had been put forward, some of which did not require a change

in the law. The two groups remain keen on the alliance, despite criti-cism from many other bankers

and insurers. "We remain convinced of the usefulness of the association," Mr Daniel Lebegue, joint managing director of BNP, said recently. "There has been so much criticism from our com-

to accept a settlement with Mr Peberean and his snpporters

on two conditions.

The first is that he did not have to buy in his company's shares at too high a price, and the second is that he did not have to accept any shareholder owning more than 4.5 per cent of his bank's capital.

petitors that I think we must have made the right choice."

Mr Beregovoy, on the other hand, said this week that he was keener on alliances with foreign groups than on purely domestic groupings. The view is shared by some other senior bankers in the state sector, as well as hy Mr Dominique Chatillon, chairman of the French banks association, who said yesterday that be saw little interest from the capitalistic point of view in a bank-insurance link, and in any case did not believe in the usefulness of a purely French grouping.

All of these securities having been sold, this announcement appears as a matter of record only.

February 17, 1989

\$100,000,000



# Presidio Oil Company

Senior Subordinated Gas Indexed Notes Due 1999

The base interest rate on the Senior Subordinated Gas Indexed Notes Due 1999 (the "Notes") will be 134% per annum. Concurrently with each quarterly interest payment commencing August 15, 1989, the Company will pay to the holders of Notes additional interest, if any, based on the amount by which the Gas Index Price exceeds \$1.75 per million British Thermal Units during a twoelve-month period preceding such quarterly interest payment period.



The First Boston Corporation

## U.S. \$250,000,000

Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Subordinated Capital Debentures due 2085

Notice is hereby given that for the six months interest period from February 17, 1989 to August 17, 1989 the Debentures will carry an interest rate of 10%% per annum. The interest payable on the relevant interest payment date, August 17, 1989 against Coupon No. 6 will be U.S. \$509.06 and U.S. \$5,090.60 respectively for Debentures in denominations of U.S. \$10,000 and U.S. \$100,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank February 17, 1989

CHASE

croorated in the Republic of South Africa, (Registration No. 05/04181/06)

DECLARATION OF DIVIDEND INc. 82)
UNITED KINGDOM CURRENCY EQUIVALENT

In accordance with the standard conditions relating to the payment of dividend No. \$2 declared on 17 January 1989, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R4.2762 South Alican currency to £1 United Kingdom currency, this being the first evallable rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 13 February 1999 as advised by the Company's South Alitean bankers. The United Kingdom currency equivalent of the dividend (No. 82) of 70 cents

per Ordinary share is therefore 16.369674 pence per share. By order of the Board per pro CONSOLIDATED GOLD FIELDS PLC. London Secretaries, Mrs. G.M.A. Gledhit, Secretary. United Kingdom Redistrar: Hill Samuel Registrars Limited. 6 Greencoat Place,

London, SW1P 1PL

London Office: 31 Charles II Street. St. James's Square, London, \$W1Y 4AG

14 February 1989

MEMBER OF THE GOLD FIELDS GROUP

# INTERNATIONAL COMPANIES AND FINANCE

Swedish

surge in

banks show

### GREEK EXTERNAL STERLING DEBT Funding Bonds of the 4% Loan of 1902 Series D3 Funding Bonds of the 5% Loan of 1907 Series C5

Assented Bonds of the 4% Loan of 1910
Assented Bonds of the Hellenic Government Loan 5% of 1914 Hambros Bank announces on behalf of the Ministry of Finance of riamoros sank announces on behalf of the Ministry of Finance of the Hellenic Republic that pursuant to the drawing of bonds of the 4% and 5% Sterling loans in cover of the sinking fund obligation of 1988, bonds of the above four loans have been drawn for redemp-tion and are payable on and after 20th March 1989.

Details of Funding Bonds Drawn for Redemption
£24,200 nominal of the 4% 1902 Funding Bonds, Series D3 have
been drawn. (represented by 348 bonds of £50 nominal each and 68
bonds of the £100 nominal each), and £11,150 nominal of the 5%
1907 Funding Bonds Series C5 have been drawn, (represented by
209 bonds of £50 nominal and 7 bonds of the £100 nominal each).

Details of Assented Bonds Drawn for Redemption

£204.653.50 nominal of the 4% 1910 Assented Bonds have been
drawn, (represented by 10.310 bonds of £19.85 nominal each), and
£251.102.50 nominal of the Hellen Government 5% 1914
Assented Bonds have been drawn, (represented by 12.650 of £19.85

nominal each).

Bonds should be presented with coupons attached as follows:-

Funding Bonds 1902 4% Coupon 54 due 1.7.89 & subsequent attached Funding Bonds 1907 5% Coupon 54 due 1.4.7.89 & subsequent attached Assented Bonds 1910 4% Coupon 53 due 1.4.89 & subsequent attached Assented Bonds 1914 5% Coupon 54 due 1.9.89 & subsequent attached Assented Bonds 1914 5% Coupon 54 due 1.9.89 & subsequent attached Holders are asked to note that interest will accrue on the bonds up to and including the 19th March 1989 as follows:-

Less	Bond Denomination	interest Payable
4% 1902 Funding. Bonds	£50	£0.2194
4% 1902 Funding Bonds	£100	£0.4388
5% 1907 Funding Bonds	£50	<b>£</b> 0.2257
5% 1907 Funding Bonds	£100	£0.4514
4% 1910 Assented Bonds	£19.85	£0.1864
5% 1914 Assented Bonds	£19.85	£0.0262

In respect of the bonds circulating outside the Hellenic Republic, presentation for payment may be made between the hours of 10.00 a.m. and 2.00 p.m. on any business day to Hambros Bank Limited, Stock Counter, 41 Tower Hill, London EC3N 4HA from whom the list of serial numbers of the drawn bonds may be obtained. Bonds must be left three clear business days for examination.

US\$42,000,000

ort-term Guaranteed Note issued in Series under a US\$289,000,000 Note Purchase Facility

**Mount Isa Mines** 

(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a production Loan and Credit Agreement dated 30th March, 1983, carry an Interest Rate of 912% per annum. The Issue Date of the above Series of Notes is 16th February, 1989, and the Maturity Date will be 16th Angust, 1989. The Euro-clear reference number for this Series is 43272 and the CEDEL reference number is 578839.

Manufacturers Hanover Limited

17th February 1989

17th February, 1989



VW expects another good

year after buoyant 1988

cost-cutting efforts'

In the first nine months of 1988, group pre-tax profits rose by 32 per cent to DM1.12bn (\$609m) and net profits by 6.6 per cent to DM419m. Analysts have forecast around DM850m net for the full year against DM598m in 1987, after the pow-erful move into profits by the erful move into profits by the Seat subsidiary in Spain and

with Ford in South America, and reduced US losses. For 1989, profits are forecast at about DM700m.

VW would continue to oper-

ate an "extremely conserva-tive" balance sheet policy with high depreciation and additions to reserves, Mr Hahn said. "We shall also show a very strong cash position based on our traditionally high cash flow." In 1987, cash flow was 14 per cent higher at

cutting efforts, especially in Germany, Mr Hahn said. In Germany, Mr Hahn said. In 1988, 11,000 jobs were shed, mainly in the US (3,100), Ger-many (4,500, including 2,200 at the Andi subsidiary in the south), Seat (1,200) and Mexico (2,000). These were offset by additions elsewhere, as in South Africa In the north Geradditions elsewhere, as in South Africa. In the north German plants, such as Wolfsburg, there was still "a substantial amount to be done" on costs. VW has made clear, however, that further labour cuts will be gradual, through natural wastage and early retirement.

### earnings the Autolatina partnership By Sara Webb In Stockholm GOTABANKEN Nordbanken, Sweden's fourth and fifth largest commercial banks respectively, both reported surges in their operating profits for 1988, helped chiefly by higher volumes on the lending side.

Gotabanken increased its Gotabanken increased its operating profit to SKr708m (\$112.6m) in 1988 from SKr279m in the previous year, when the bank's operating profit was badly hit by losses incurred in options trading.

Gotabanken's profit before VW was continuing its cost-

allocations and taxes dropped 34 per cent from SKr941m in 1987 to SKr621m last year, which the bank said reflected the fact that 1987 results had been boosted by extraordinary gains from the sale of two sub-sidiaries. The board will pro-pose a figure for the dividend later this spring.

The bank's total revenue increased by 37 per cent to SKr2.099bn. Net interest income jumped 20.4 per cent to SKr1.554bn due to increased volume in lending and higher

volume in lending and higher

volume in lending and nigner interest margins.

Last year had been "another good year for the Swedish banks, another year of volume expansion," said Mr Bjoern.

Rosengren, chief economist at Gotabanken.

He said commissions from

He said commissions from foreign exchange dealing had risen significantly. However, commission income from the bond, money market and equity side had fallen over the

Nordbanken more than tre-bled its operating profit for 1988 to SKr851.1m from SKr267.1m, due to a sharp reduction in costs and increased income on the inter-est and commission side. The board proposed raising the dividend from SKr4 to SKr5. The bank's management has

implemented a far-reaching cost-cutting programme and has taken a tougher line on credit losses.

In 1988, credit loases were reduced to SKr88.8m from SKr332.8m in 1987, while other cost increases were held, in check. Total costs fell from SKr1.034bn to SKr790.9m in

# Co op share trading suspended amid accountancy doubts

By Haig Simonian in Frankfurt

SHARES IN Co op, the troubled West German food retailer now controlled by a group of international banks, were suspended on the Frankfurt bourse yesterday after a statement from the Frankfurt state prosecutor's office that state prosecutor's office that the company's former top management was suspected of sys-tematically falsifying its

accounts since 1985.

The shares, which closed at DM298 (\$162) on Wednesday, are to remain suspended at.

are to remain suspended at least until a meeting of Co op's creditor banks on February 24, according to the Frankfurt Stock Exchange.

The six-bank "pool" now coordinating the creditor side of Co op's affairs, responded cautiously to reports from the state prosecutor's office that internal. Co op documents showed the group's debt was around six times higher than unblished in its accounts. published in its accounts. According to the banks, the degree of Co op's actual indebtedness is "far from the quoted extent."

extent."

The "pool" banks admit the group's debt, was undoubtedly higher than shown in its last published accounts, but say they cannot explain the factor of indebtedness quoted by the state prosecutor.

The discrepancy probably arises from Co op's highly nonesal structure under its

unusual structure under its former management. In partic-ular, two key subsidiaries, the Swiss-based Garvey Holding, and HIG Handels-Investitions Gesellschaft, based in Hamburg, are believed to have incurred a heavy debt burden which was never reflected on the parent company's books. It has been a bad week for the "pool" banks - most nota-bly Swiss Bank Corporation, Amro, Security Pacific and

on Wednesday, a group of 50 police, tax and legal officials searched a number of Co on offices, including its Frankfurt headquarters, as well as the homes of four former directors and the oblide accountant

and the chief accountant. According to the state prosecutur's office, apart from misrepresentation of the company's debt, the former executives may also have been involved in tax evasion and misrepresentation of the company's affair's in its beautiful of the company's affair's

tion of the company's affair's in its bourse prospectus.

The "pool" banks have sought to distance themselves from the operation, which they identify as being a residue of the "old" Co op and its management. All three of the former directors, led by the chief executive, Mr Bernd Otto, were sacticed in December.

Since then, Co op's 130-odd.

Since then, Co op's 130-odd, creditor banks, led by the "pool," have moved to boister "pool," have moved to bolster its finances and appoint a new chairman to the supervisory board, which has in turn brought in new senior management to restore morale at the embattled group.

The pool banks said they would be putting forward a restructuring programme to all Co op's creditor banks on February 24. In a perhaps signifi-

Co op's creditor banks on February 24. In a perhaps significant use of words, acceptance of the package would mean Co op's continuation "would not be endangered," they noted.

How easy it will be to gain that acceptance in view of the latest averte random unclear. latest events remains unclear.

A number of well-informed Frankfurt bankers say the latest revelations about Co op's affairs under its previous man-agement may still only be the tip of the iceberg.

### He said commissions from DEN NORSKE Creditbank NKrl.470bn last time. (DnC), the Norwegian bank, announced yesterday that

By Karen Fossil in Oslo

By Laura Raun in Amsterdam OCE-VAN DER GRINTEN, the OCE-VAN DER GRINTEN, the dutch photocopier maker, lifted earnings in the fourth quarter of fiscal 1988 thanks to design engineering copiers, currency movements and efficiency measures.

Net income rose 12 per cent to F1 21.2m (\$10m) or F1 7.26 a share, from F1 19m or 6.44 a share a year earlier. Sales

VOLKSWAGEN, the West

German motor group, is

expecting another strong year in 1989 after increasing earn-ings and improving its cost

structure last year, Mr Carl

Hahn, the chairman, said.
Car sales had continued to
be buoyant recently, despite
expectations of a downtum in

major European markets. "It

major suropean markets. It seems after such a good December and January that the optimistic forecasts in our bridget for 1989 will be reached," he said. "So we can expect 1989 to be another very good year."

good year."

VW should be able to main-

VW should be able to maintain, or even slightly increase, its sales volume this year, Mr Hahn added, as well as continuing to improve productivity and earnings. The cost position had been helped by the closure of the loss-making Westmoreland plant in the US and the shedding of a net 9,400 jobs worldwide last year.

Mr Hahn declined, in an interview, to indicate last year's results. But he said: "Not only are the figures better, but their quality is better."

Strong advance

fourth quarter

at Oce in

share a year earlier. Sales edged up 3 per cent to FI 510.3m, from FI 494.5m. The fourth quarter was the strongest period of the year ended November, 1988.

Oce expects that "the steady improvement in the results

which started in mid-1988 can be continued in 1989." For all of 1988 earnings

edged up 1 per cent to F1 76.1m or Fl 26.02 a share, from F1 75.1m or F1 25.71. Revenue rose 2 per cent to Fl 1.87bn from Fl 1.83bn. losses on loans and guarantees for 1988 had totalled NKr1.8bn (\$270m),or NKr300m or so above earlier estimates. The bank said that NKr300m of the provisions were primar-

ily attributable to "a most unfavourable development in income as a percentage of total connection with a major commitment at DnC Luxembourg. DnC said that it was assuming – for accounting purposes – that the Luxembourg loan would not be recovered since the debtor, a Luxembourg trad-ing company, could well be

**DnC loan losses top** 

estimates by NKr300m

made bankrupt. Overall, however, the bank continued to progress. Pre-tax operating profits for last year totalled NKr881m, against a deficit of NKr254m in 1987. At the net level there was a loss of NKr965m compared with

The bank said that compared with 1987, "a higher proportion of loan losses in Norway can he ascribed to private individuals and small to medium-sized companies," although "losses on loans to the manufacturing, offshore and petroleum sectors clearly show a falling trend." Although net interest

assets improved, interest payments not made on a number of non-performing loans made a negative contribution to DeC's overall result.

Favourable developments in the securities and foreign

exchange businesses has con-tinued this year.

Total assets declined to NKr102.7bn from NKr127.5bn. DnC said that group equity capital stood at about 6.9 per cent of adjusted assets at the

# Asset sales boost Rauma-Repola

RAUMA-REPOLA, the Finnish to FM9.7bn, up 13 per cent metal and forest products from the year earlier, group reports a pre-tax profit writes Olli Virtanen in Melainki. cluding FM630m generated from sales of assets, compared with FM125m in 1987, when assets disposals contributed FM159m. Turnover amounted

The company said its earnings had been held back by lossesof FM300m in the shipbuilding and marine technology

All these securities having been sold, this announcement appears as a matter of record only.

Series 008



# TSB Group plc

Placing of

£100,000,000 105/8 per cent. Subordinated Loan Stock 2008

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Placing o

£100,000,000 9 per cent. Loan Stock 2016

to form a single series with an issue of £50,000,000 9 per cent. Loan Stock 2016 completed in May 1986

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# INTERNATIONAL CAPITAL MARKETS

# Swedish Export Credit taps Eurosterling sector

STERLING BONDS provided the only new issue excitement in the Eurobond market yesterday as Swedish Export Credit (SEK) launched a 2100m seven-year deal, while most securities bouses waited for US trade figures for December due

today.

The sterling sector of the Euromarkets is a law unto itself at the moment, because investors see the UK as one place where further interest rate rises are unlikely. Lead managers have identified demand for paper in the seven-

to 10-year maturity range.

The World Bank tapped this demand on Tuesday with a 10-year 1100m issue which was bid in the market yesterday at a discount to issue price of 1.99 per cent, just within total managing and underwriting fees. The SEK issue was brought by Union Bank of Switzerland md was priced at 101% to yield some 38 basis points over the 10 per cent government bond maturing in 1996. Despite a coupon of 10% per cent, many traders felt the pricing was tight and said that co-managers would struggle to place their allocations.

UBS reported considerable emand from German; Swiss and UK institutions, with himmese interest. An offical said the bonds were trading

SOFTOWOR

YEN Marubeni int. Finance(c) **◆** Torento-Dominion Bank(d)

The issue proceeds were swapped into floating-rate US dollars. The lead manager would not disclose the funding rate achieved, but others in the market speculated that the likely rate was some 55 basis points below Libor.

This was some way below the rate SEK is thought to

demand in other currencles.

INTERNATIONAL BONDS

Tuesday's World Bank deal is believed to have been swapped into floating-rate dollars for a funding rate of around 50 basis points below Libor.

Several traders commented that the pricing of the issue against the 10 per cent 1996 gilt gave an artificial impression of the yield available on the

bonds.
"That gilt is an illiquid and expensive issue. It would have been much more accurate to price the SEK bonds against, say, the 10% per cent due 1995, or even the 10% per cent due 1997," said one dealer. Against the 10% due 1995, the SEK spread would have been a mere 17 basis points.

common practice to price an issue against a glit of the same maturity. "We priced the recent Trusthouse Forte deal against the 10 per cent of 1996, and that was widely accepted." he said. "The yield curve in this sector is open to interpre-

After the recent confusion of recent weeks, the Matador sec-tor was tapped with the full approval of Spanish financial authorities. J.P. Morgan was the lead manager of a Pta10bn deal for the Council of Europe.

demand, but was also popular in Germany where investors were attracted by the coupon and by the currency play. The issue proceeds are thought to

ated Eurobonds were badly hit following poor Australian current account figures, and many bond prices were severely marked down in the grey market, where bonds are traded before formal issue. Among benchmark issues, Kingdom of Sweden 15 per cent

# **Tighter OTC** rules for Tokyo flotations

By Stefan Wagstyl in Tokyo

THE JAPANESE anthorities tightening rules covering flotation of companies on the over-the-counter market in the wake of the Recruit scan-

The Securities Dealers Association of Japan, which super-vises the market, said this week it would from April introduce a compulsory auction system for the sale of shares in a new issue. The Tokyo Stock Exchange has already said it is lannching a similar system for companies seeking a listing. The measures are intended to make the pricing of new

es more transparent. They are also aimed to prevent new issues soaring to high premi-ums on the first day's trading to the benefit of those allotted shares before they are quote In the Recruit case, leading politicians and others made large profits from buying shares in Recruit Cosmos, a

property company, on favoura-ble terms just before it was floated in 1986. Following the reform, com-panies seeking an OTC quotation will be required to offer 3.75 per cent of outstanding equity, plus a further 175,000 shares - at a pre-flotation

The minimum price will be set by referring to the prices of similar quoted companies. The be 30 per cent above the floor

In addition, sales of shares in a company bound for the OTC market will be hanned in the two years before flotation — instead of 12 months as at present. Shareholders will be obliged to hold shares for at least 12 months after the flota-

The securities industry hopes the measures will help estore investor confidence in the OTC market, whose repu-tation has suffered as a result of the Recruit affair. Turnov has fallen since the scandal broke last June.

### Swiss market equity financing drops sharply

By William Dullforce in Geneva

NEW EQUITY issued on the from SFr7.5bn in 1987 to SFr4.3bn (\$2.75bn) last year. according to the latest research report from Bank Vontobel in Zurich.
The figures cover rights

issues, placements and initial public offerings. In addition the market absorbed SFr1bn in equity generated by the exercise of warrants and convertible rights, bringing total equity financing in 1988 to SFr5.3bn, against SFr8.3bn in

When dividends distributed by listed companies are subtracted, the net amount of equity financing raised in the Swiss market last year comes to only SFr900m compared with SFr4.2bn in 1987 and

SFr4.4bn in 1986. Bank Vontobei's analysis highlights the sharp reduction in new issues of non-voting participation certificates (PCs), from SFr2bn in 1987 to SFr700m last year.

Foreign investors, at whom PCs were mostly aimed, have largely shunned this stock cat-egory since the October, 1987 crash and Bank Vontobel does not expect many PC issues in 1989. The exception could be more initial public offerings in PCs by some of the bigger Swiss cantonal banks.

A clear shift to convertible bond issues away from bonds with warrants was also apparent in the Swiss market in 1988. Issues of warrants fell from 47 in 1987 to 20, or in value terms from SFr3.7bn to SFr1.9bn. The number of convertibles climbed from two to 14 with the value increasing from SFr200m to SFr1.1bn. Bank Vontobel makes what it regards as a fairly exact

estimate of the new equity likely to be generated by the exercise of warrants and convertible rights in 1989.

There is little likelihood of a major negative effect on bearer and registered share prices from new equity generated by warrants and convertibles, it concludes. But the PC market will have to absorb a

larger supply, so that prices of some stocks can suffer. Here Bank Vontobel points to a "striking concentration" of in-the-money warrants and convertibles in the big Swiss

Of the total potential value of SFr1.66bn in bond issues

An average rise in stock prices of 10 per cent from the year-end level would boost the in-the-money warrants and convertibles by SFr202m.



# CONFERENCES The London Motor Conference

**FINANCIAL TIMES** 

London, 6 March, 1989

The Financial Times is arranging an important one-day Motor conference at the Hotel Inter-Continental in London on 6 March. The meeting is timed to coincide with the Autopartac '89 Exhibition being held at Olympia from 5-7 March.

The speakers taking part include:

Mr John Lawson Executive Director & Automotive Analyst Nomura Research Institute Europe Ltd

M. Noël Goutard Président Directeur Général VALEO Dr John G White

Group Managing Director BBA Group PLC Mr Roger H Storey

Quinton Hazell plc Mr Tim Worrall Managing Director Quicks Group pic

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The five-year bonds carry a 12 per cent coupon and were trading inside fees at less 1% hid.
The issue was simed primarily at domestic Spanish

have been swapped into float-ing-rate US dollars.

Australian dollar-denomi-

1994 bonds dropped a point to less 3% bid, while iCI 15 per cent 1992 fell % to less 4% bid.

EW	INT	ERNA'	FIONAL	BOND	ISSU	ES
	Amount 200		101 % Price	Makerity 1996	Fees 17/14	Sook runner Nomura Int.
	100 150	37 44	100 100	2004 1983	2 <sup>1</sup> 2/1 <sup>1</sup> 2 2 <sup>1</sup> 4/1 <sup>1</sup> 2	Bank of Tokyo Can.Mist Yamaichi (nt. (Eur)
	100	105	10112	1996	13/14	USS (Secs)
٠.	10bn	. 12	101.15	1984	15,71	J.P. Morgen Espans

### FT INTERNATIONAL BOND SERVICE

Change on Change, John Jay 10 to week 40 Change on Chang

Average price change. On day +0.07 on week +0.00

CONVERTIBLE
BONDS
Alexe 64, 02 US.
Alexe 74, 02 US.
Alexe 75, 71 L64, 1174, 424, 2.85
Alexe 592 0M.
Alexe Clay 64, 02 US.
Alexe Clay 64, 02 US.
Alexe Clay 64, 02 US.
Alexe 653, 02 US.
Alexe 654, 03 US.
Alexe 655, 03 US.
Alexe 655, 04 US.
Alexe 655, 05 US.

· No information available-previous day's price † Only one market maker supplied a price

Straight Gonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise influence, Cate of Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; \$above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless ourseway named to Convertible Bonds: Denominated in dollars unless ourseway named Chg. day = Change on day. Chy date = First date of conversion into shares. Con, price = Nominal automat of bond per share empressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the duranticfictive price of acquiring shares via the bond over the most recent price of the shares. por. Hible Bonds: Denominated in dollars unless otherwise indicates

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# COMPANY NOTICES



**COMPAGNIE BANCAIRE** Société Anonyme

Incorporated in France with limited liability. Regd. Office: 5 avenue Kléber, Paris 16 ème.

NOTICE OF ORDINARY GENERAL MEETING

The shareholders of Compagnis Bencaire are invited to attend the Ordinary General Meeting to be held on Tuesday, 21st March, 1989, at 3.00 p.m. at the Head Office, 5 avenue Kléber, Peris 16 ème, to consider the following Agenda: - The Report of the Board of Management

- The comments of the Supervisory Board.

The Reports of the Auditors.

The approval of the accounts for 1988 and appropriation of the The retification of the appointment of a member of the Supervisory Board.

The re-election of four members of the Supervisory Board. - The remuneration of the members of the Supervisory Board. The remuneration of the Censors

The authorisation to the Board of Management to Issue bonds

The authorisation to the Board of Management to buy and sell shares of the Company on the stock exchange in order to regulate their price. Any other business.

In order to attend or be represented at the Meeting, owners of registered shares must have been entered on the register five clear days prior to the Meeting, Holders of bearer shares must deposit, at least five clear days prior to the Meeting at the Head Office, the certificate of deposit, issued by the benk, financial institution or stockbroker with whom the shares are lodged. The shareholders who wish to vote by post must register at the

Head Office of the Company six days in advance of the Meeting end postal votes must be received at the Head Office of the Company on the appropriate form three days in advance of the Meeting.

Shareholders who wish to attend the Meeting ere requested to make advance application to the Company for an admission card.

LEUM! INTERNATIONAL RIVESTMENTS N.V. RNVEST MENTS N. V. USSG, 200,000 CAURANTEED FLOATING RATE NOTES NOVEMBER 1989 EXTENDIBLE AT THE NOLDER'S OPTION TO 1992 Notice is hereby given pursuant to Condition 4 (V) of the 7 arms and Conditions of the Slottes that sity Noteholder may, at his option, watered the methatly of any Notehold option, watered the methatly of any Notehold of which he is the holder to (and only to) the framest Payment Date failing as November 1992 by presenting such Notehold on any Paying Agent at any time up to and including the third business day prior to 31st May, 1969 with the notice(g) of exercise of the option to extend thereon duly completed.
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carrying warrants and convertible rights expiring during the year, SFr835m was in-themoney at-1988 with striking prices below market rates

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### INTERNATIONAL CAPITAL MARKETS

# Bundesbank gives world markets breathing space

By Katharine Campbell in London and Janet Bush in New Yor

EUROPEAN markets breathed by the fact that the Bundesa sigh of relief when the German central bank did oot raise rates at its fortnightly council meeting. The Bank of France also left its intervection rate unchanged at 8.25 per cent at yesterday's repurchase teoder. But the prevailing view is this was hut a temporary renrieve.

On Matif, the French futures exchange, the March 10-year future had already discounted the rate oews in its opening price which was 52 basis points firmer than the orevious close. at 105.34. The market failed to sustain that level and closed at 105.16 on the official floor.

The Dutch market was some 20 basis points firmer, and on Liffe io London toe German bond future ended at 94.30 after 94.09 oo Wednesday.

UK government bonds were also sligotly firmer on the day. The market shrugs off most economic data these days -though today's retail price index may be an exception -and vesterday's average earn-ings data, constant and broadly line with expectatioos, hardly moved prices.

This has become almost a one-theme market - and the theme is simply the danger of selling wheo the biggest huyer is the Bank of England. The March long hond on Liffe closed % of a point up at 981/4.

US TREASURY bonds continued yesterday gradually to losses, encouraged somewhat

UK GILTS

FRANCE STAN S.000 OAT S.125

Lendon closing, 'denotes New York close Yields: Local market standard Price

bank did not raise either the West German discount rate or the Lombard rate as had widely been speculated.

In late trading, the Tres-sury's benchmark long bond stood is point higher in yield 9.05 per cent.

The bond market shrugged off an 8 per cent jump in January housing starts which compared with the consensus forecast of a 3.7 per cent increase because the much larger rise was mostly attributed to unseasocally mild weather. Morning price gains wera limited as the dollar came off

### GOVERNMENT BONDS

the highs reached after the lack of Bundesbank action. in late trading, the dollar was quoted near its session lnws at Y126.07 and at DM1.8385.

Trading in both bond and currency markets was cautious yesterday prior to the release today of US trade figures for December. Consensus estimates suggest a deficit of around \$11.5bn compared with the \$12.51bn shortfall in November on a cost, insurance

and freight basis. The US Federal Reserve yes-terday announced four-day matched sales to drain liquidity from the money market after Fed Funds opened at 9% per cent. Bond analysts believed that the operation

-2/32 S.23 S.05 +7/32 S.07 8.90

97.9832 + 8.126 4.92 4.86 108.5056 -0.211 4.82 4.80

6.37S 11/98 96,8500 +0,125 6.85 8.78 6.68

10.250 12/98 99.75 -0.25 18.29 10.08 10.08

12.000 7/99 88.1772 -1.485 14.19 13.68 13.11

6,7500 10/98 98.5250 +0,450 7.04 8.96 6.74

year end approaches. Yesterday, dealers reported contin-ued switching from listed to unlisted securities. In the latter category is the No.117 bond with a 4.7 per cent BENCHMARK GOVERNMENT BONDS coupon issued in February, but which is not officially listed Price Change Yield ago until after the year-end. Five-year bank debentures have 109-06 +4/32 18.38 18.21 18.47 100-00 +2/32 8.75 9.66 10.05 101-02 +10/32 8.88 8.92 9.19

also been a popular destination for bond sellers' cash. On balance, prices firmed a touch over the day, largely as a result of traders covering short positions. Extra liquidity from the central bank, in the form of a Y300bn bill-buying operation,

confirmed a new Fed Funds

target of at least 9% per cent

or higher because of a modest

need to drain yesterday. Fed

Funds closed at 9% per cent.

THE AUSTRALIAN bond mar-

ket fell sharply on the very

poor January current account numbers. Yields nn the key 12

per cent Commonwealth bond

due 1999 rose 35 basis points to

close at 14.25 per cent. Such yield levels have not been seen

in Australia for three years.

The market's fall was exacer-

bated by misplaced optimism,

which brought a rally before the figures were released.

Whereas the market had expected a deficit between A\$850m to A\$1hn, the actual

figure proved to be a very high A\$1.5bn. A statement by the

Australian treasorer Paul

Keating that the Government would not tighten monetary

policy further but would toler-

ately took the A\$ lower. It fell \$0.03 cents, and a further cent

Despite the finance minis-

ter's pronouncements. 90-day bank bills climbed sharply and

TRADE IN the Japanese gov-ernment bond market is partic-

ularly slow as the March 31

or so during London bours.

are now at 17.1 per cent.

ate a weaker currency immedi

also improved the tone. The benchmark No.111 4.6 per cent closed to yield 4.92 per cent after 4.94 per cent on Wednesday. In London, relief that the Bundesbank had not upped its rates helped yields shed another point.

# Sweden to automate bourse trading

By Sara Webb in Stockholm

THE STOCKHOLM bourse is to replace its call-over and aftermarket trading with an automated trading system starting

The changeover will take place gradually, according to Mr Bengt Ryden, chief execu-tive of the stock exchange, and the automated system should become fully operational dur-ing 1990, allowing brokers to conduct business from their offices instead of from the bourse floor.

Orders will be sorted and matched in the computer system although with large bloc deals of over 50,000 shares, brokers will he free to trade ontside the system. Initially the new system will be used for trading contribute but it can for trading equities, but it can also be extended to trading in bonds, convertibles and other financial instruments, Mr Ryden said. The decision to launch SAX,

as the trading system is known (it stands for Stockholm Antomated Exchange, but it is also reputedly a testi-mony to Mr Ryden's love of jazz), is meant to help put

Stockholm back on the pedestal as the leading market for trading in Swedish equities.

"SAX will strengthen the competitiveness of the Swedish capital market and allow for considerable rationalisa tions, lower transaction costs and improved liquidity," Mr Ryden said.

Since the Government dou-bled the turnover tax on equities in 1986, business in the main Swedish stocks has flown to London and New York with the result that the main corporate names, like Ericsson and Volvo, do more business overseas than in the domestic market. SAX was due to come into

operation last October, but problems in finding a suitable sub-contractor to develop the software delayed its launch. It is expected to cost about SKr60m (\$9.5m) in the first five years.

EQUITIES

The price for this at issue was FFr375, though by the end Mr Ryden hopes that the start of an automated trading and information system will "set the stage for a true Nordic

Stephen Fidler on the turmoil at Credit Suisse First Boston leap-frogging both Goldman
 Sachs and First Boston into the number one slot, according

to some calculations. Nevertheless, the total value of the deals on which First Boston advised grew to \$71.2bn, according to figures from Euromoney. Outsiders may claim that

some of that represented momentum from "Wasserella" as the pair are called on Wall Street (Wasserella itself advised on \$39bn of deals last year.) However, Mr James R Maher, a former co-manager of M&A who was given joint responsibility after the defec-tions, claimed in London yesterday that the efforts to ragroup the firm's 175-strong M&A operation had been satis-"The longer-term goal is to

resulted at the end of last year in its going private. First Bos-ton in North America now put ourselves in a position of predominance on a global basis," he said, an aim which forms one of three global subsidiaries of CS First Boston, a holding company which also groups Credit Suisse First Bos-ton in London and an Asian-based subsidiary whose final should benefit from the firm's reorganisation, officials say. Under the old arrangen First Boston was responsible for M&A throughout the group, even in London where CSFB's responsibilities simply covered the capital markets. "We were

based subsidiary whose final shape is not yet clear.

Last year, First Boston slipped one place in the global mergers and acquisitions table, with Morgan Stanlsy—adviser on the \$250n leveraged buyout (LBO) for RJR-Nabisco operating like two different firms," said Mr Maher. "CSFB didn't get the full benefit from

business in Europe." Its aim is to retain its prime position of 1988 in cross-border M&A.

Life after the Wasserella walkout

With management now freed from the problems of worrying about its own corporate structure, he said the firm can now begin to look elsewhere. While across the globe, M&A business has got off to a slow start again this year, First Boston's own figures show it dominating market share. In January, it advised on 14 deals valued at a total \$13.6bn, almost double its nearest rival. Wasserstein Perella was in equal fourth place, involved in one deal

r Maher admitted that one month is too short a period over which to draw too many con-clusions, but saw activity in general picking up over the

worth \$2.4bn.

rest of the year.
While stock prices in the US have risen, they still have not intersected the point at which takeovers and buy-outs are attractive. And while the RJR-Nabisco deal may prove the largest LBO for some time, it has proved the flexibility of both bank and junk bond

First Boston's activities in finance. His belief is that new Europe and First Boston didn't rules on the conduct of LBOs derive full benefit from CSFB's may follow but that legislation business in Europe." Its aim is on the deductibility of interest. for tax purposes to close the door on most leveraged deals will not result.

While many of the issues had been addressed, according to Mr Mahar, the changing nature of the business means that more decisions had to be made. First Boston has to expand, he said, into "niches of profitability." These might include developing money management and its junk bond business, for example, where it claims a second place with a 14 per cent market share — the head of the also rans behind Drexel Burnham Lambert. Other business may be de-em-

In Europe, where the firm's M&A operation is the responsibility of Mr Anthony Freeman. First Boston sees slow growth in the junk bond market but opportunities ahead of the lift-ing of capital barriers in Europe in 1992. The more open UK market suggests that much of that activity will be through London. As 1992 approaches, hower, the firm has already made it clear that it fears a regime of excessive European

# Call warrants on French market index launched

By Katharine Campbell

BANKERS International yesterday launched the first series of call warrants on the French stock market index, the CAC40. The issue, for 250,000 Americanstyle three-year call warrants, is expected to be listed in both

year ago, the mergers and acquisitions team A and acquisitions team at First Boston was in

turmoil. The resignations of

Bruce Wasserstein and Joe Per-ella, the heads of the firm's successful investment banking

group in New York, and 14 col-

firm with unwelcome publicity.

The move by the two men to form their own firm, in which

the Japanese securities house

Nomura subsequently bought a

20 per cent stake, placed a question mark over First Bos-ton's place in the top three

mergers and acquisitions firm

In another potentially desta-

bilising development, First

Boston was discussing a reorganisation which eventually

in the US.

leagues had surrounded the

Paris and Luxembourg.
Call warrants give investors
the right, at a price, to benefit from a rise in the equity index. These warrants are struck at an index level of 1715, which is 5 per cent above the level at which the CAC 40 traded in

Paris yesterday morning.
Thus if the index rises above 1715 during the next three years, the call purchaser can exercise his warrant.

of the day warrants were qnoted on BT's screens at 368-378, up on the day taking

account of the FFr10 fee. The issue, roughly two thirds of which was pre-placed, is co-led by Caisse des Depots et Consignations, Paris and includes an international syndicate of banks and securities house The warrants appeared to have been well received in the

market. They are similarly priced to the short three-month cash options on the CAC40 which trade on the floor of the Paris stock exchange. Bankers Trust and other

houses have brought a number of similar warrants on other country indicies, in what is a developing market for sophisticated equity derivative prod-

Several sets of warrants have been based on the Japanese market, with one on the German and one on the British market too.

# NBB's trading volume in third world debt soars

By Norma Cohen

NMB BANK, a major Dutch bank, said its total trading vol-ume in third world debt rose to \$8bn in 1988 from \$3.4bn in 1987. The number of transactions handled - involving the purchase, sale or swap of claims on highly indebted nations — nearly doubled to

Overall, NMB Bank estimates worldwide turnover in asset trading in 1988 at \$40km, leading to an estimate reduc-tion in total debt outstanding of about \$15bm.

Mr Gerrit Tammes, vice chairman, said the outlook for trading in third world debt in 1989 is uncertain since debtconversion schemes in several countries, particularly Brazil, are under review. Since Brazil's announcement in early January of the suspension of its own debt conversion

scheme, the average price of all LDC loans has fallen below 40 cents on the dollar for the first time since 1987.

But Mr Tammes said that while debt conversion schemes could be on the wane, debt buybacks by LDC nations are likely to be stepped up.
Although commercial banks
initially opposed allowing debtors to buy their own loans back at a discount, recent rescheduling agreements are increasingly including clauses allowing them to do so, he

 Reuter reports from Tokyo: Nikko Securities may shed more staff at Nikko Securities International, its New Yorkbased unit, after cutting 40 jobs in January, according to an official of the Nikko parent

of late closely connected with

dealings on the options merket. Overall options market dealings reached the modest total by any

Index trading came to 13,290 con-

## LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

Technical Data/ATLAS Price Sources

These Indices are the joint compilation of the Financial Times, the institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS	Thursday February 16 1989					Wed Feb 15	Tue Feb 14	Mon Feb 13	Year ago (approx)	
Flg	& SUB-SECTIONS ures in parentheses show number of stocks per section	index No.	Day's Change %	Est. Earpings Yield% (Max.I	Gross Ofv. Yield% (Act at (25%)	Est. PIE Ratio (Net)	xd adj. 1989 to date	Index No.	Index No.	Index No.	index No.
1	CAPITAL G0085 (207)	994.92	-0.4	10.35	3.95	11.84	1.37	908.86	908.61 1128.55	901.81 1123.83	726.21 952.54
2	Building Materials (28)	1135.88	+0.5	11.20	4.82	10.98	9.33 1.58	1130.55 1656.17	1658.35	1653.08	1456.65
3	Contracting, Construction (38)	1656.38		12.01	3.71	10.86 14.86	0.39	2687.63		2635.75	
4	Electricals (10)	2666.59	-0.8	0.12 9.31	4.23 3.25	13.90	7.63	2034.93	2041.87	2031.17	
5	Electronics (30)	2013-21	-1.1 +0.1	9.75	3.84	12.49	0.53	488.49	486.69		378.64
6	Mechanical Engineering (55)	518.25	-0.2	14.81	5.68	7.63	8.00	519.23	521.04		426.86
	Metals and Metal Forming (7)		-0.5	10.59	4.28	10.96	0.00	316.53	311.40		277.23
-9	Motors (17) Other Industrial Materials (22)	7505.03	-1.5	9.17	4.18	12.94	3.55	1527.61	1523.98		
	CONSUMER GROUP (186)	1140 05	-0.4	8.86	3.60	14.18	2.32	1173.01	2174.88	1167.64	
21	Srewers and Oistillers (22)	1275 07	-0.2	9.79	3.49	12.90	9.03	1277_16	1275.77	1263.37	979.87
엻	Food Manufacturing (21)	1044 65	-0.5	8.79	3.69	14.30	2.05	1049.57	1058.23	1845.11	822.8
26	Food Retalling (15)	2018.77	-0.8	8.99	3,48	14.65	8.17	2034.87	2039,74	2028.81	1974.5
27	Health and Household (13)	2114.96	-0.2	6.34	2.56	18.87	0.48	2119.53	2136.52	2120.43	1769.5
29	Leisure (33)	1568.36	-0.2	7.58	3.32	16.64	11.11	1578.97	1568.69	1554.89	
31	Packaging & Paper (17)	597.31	+0.2	9.34	3.83	13.32	0.53	596.09	591.95		
321	Publishing & Printing (18)	13727.23	-0.2	8.49	4.21	14.76	3.38		3735.51		
34	Stores (33)	. 770.59	-1.2	11.63	4.48	11,92	2.64	779.90	780.67	773.72	
35	Textiles (14)	. 517.69	+0.2	13.45	5.58	8.90	0.25	516.83	518.00		552.5
40	OTHER GROUPS (94)	1044.44	-0.4	10.10	4.14	12.09	0.24		1050.23		864.9
41	Agencies (18)	J1245.94	+2.6	8.84	2.63	14.31	2.14		1206.36		
42	Chemicals (22)	1206.38	+9.2	10.62	4.37	11.34	0.23	1283.73			
43	Conglomeratés (12)	11459.28	-0.6	18.60	4.98	10.89	0.50		1477.64		
45	Shinning and Transport (13)	12285.62	-0.1	8.43	3.66	15.41	0.00		2282.08		
47	Telephone Networks (2)	.11093.99	-1.7	19.74	4.29	12.11	8.00	1112.89			
48	Miscellaneous (27)	<u>1449.26</u>	-0.1	9.78	3.77	11.63	9.62			1431.95	
49	1NOU5TRIAL GROUP (487)	1083.92	-0.4	9.62	3.85	12.85	2.48	1988.47	1089.69		
51	Oil & Gas (131		-0.9	9.70	5.84	13.19	0.80			1900.58	
59	508 SHARE INCEX (500)	1153,57	~0.5	9.63	4.11	12,98	1.37			1151.15	_
61	FINANCIAL GROUP (126)	749.54	-0.7		4.76		0.88	754.78	752.95		
62	Banks (8)	752.93	-8.9	19.03	5.81	7.05		760.13	757.72		
65	Insurance (Life) (8)	1031.87	-0.6	-	5.23	-	0.00				
	Insurance (Composite) (7)	. 594.64	-0.5		5.26		0.80	597.69 1024.34			
67	Insurance (Srokers) (7)	1515.88	-0.5	8.59	6.38	24.54	8.68	354.66			336.1
68	Merchant Banks (11)		-0.3	5.58	4.24 2.59	22.85	0.99				
69	Property (53)	11277.10	-0.8 -0.3	9.02	5.22	13.84	1.47	387.54	386.79		
78	Other Financial (32)	380.47				13.04					-
71	Investment Trusts (76)	1068.01	+0.2		2.86	12.15	1.26	1866.14 664.79	1064.91 673.03		
aı	Mining Finance (2)	666.81	+0.3	9.17 8.93	3.14 4.77	12.15					
	Overseas Traders (8)		-0.5	8.73	4.16	12.99	1.35	-			_
99	ALL-SHARE INDEX (712)							_	_	_	
		Index	Day's	Day's	Day's	Feb	Feb 14	Feb 13	Feb 10	Feb	Year
	FT-SE 188 SHARE INCEX	No.	Change	High (a)	Low (b)	2047.5		13	110		290

	S TELDS	Thu Feb 16	Wed Feb 15	Year ago (approx
today 1989	t 5 years 5 years 5 years	8.80	8.98 8.82 0.75	9.00 9.30 9.21
- 1.8 - 1.7 9.36 1.1 - 0.0 0.04 1.7	5 years 5 years 5 years 5 years 5 years 5 years	. 10.14 9.23 0.85 18.27 9.44	10.14 9.25 0.88 10.28 9.46 9.04 8.74	9.54 9.52 9.39 9.66 9.68 9.41
- 1.3 - 0.7 - 8.7	5yrs Over 5 yrs 5 yrs Over 5 yrs	3.51 2.59 3.36	2.64 3.38	3.69
	5 years 15 years 26 years		11.25	10.90
-	18 Preference	1.34 16 Loans 15 years 15 years 25 years 18 Preference	1.34 16 Loans 15 years	1.34 16 Lears 15 years 11.25 11.25 12.25 years 10.71 10.72

aOpening index 2048.4; 10 am 2040.5; 11 am 2030.0; Noon 2030.5; 1 pm 2031.3; 2 pm 2035.0; 3 pm 2036.7; 4 pm 2034.8; 4.05

(a) 9,00am (b) 12.07pm r Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday is constituents is available from the Publishers, The Financial Times, Bracken Hoose, Cannon Street, London ECAP 48Y, price 15p, by CONSTITUENT CHANGES: Ryan International (3) has been deleted and replaced by MFC Varied Yoring (45). ion EC4P 48Y, price 15p, by post 34p.

RISES AND FALLS	YESTERDA	Y
h Funds rations, Dominion and Foreign Bonds rials cial and Properties	Rises Falls 88 7 10 2 414 360 168 140 25 31	Same 14 39 809 362 44
ations	37 57 107 36	144 11 92 102

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Latest Remoc.		8/99	Stadz	Closing Price	+=	Bed. Ota.	Tiones Cor'd	Green Visit	?E
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	413	355	CLF Yeoman	408		R02412	4.6	25	133
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-	286 122 188	110	(Sandel) Group 10p	122		14.4	1.8	4.8	120
300	188	141	Secure Trust Ip	166	+5	W7.07	23	5.2	11.2

- 14	Clasing Price	Stock	1988/89		1988/89		1988/89		Latest Resucc	Amount. Paid	issue Price
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1	987 108	Affiled-Lyons 9% pc Deb.2019	983 103e	987	- :	F.P.	198.5 100p 100p 100p 100p 100p 100p 100p 100				
a 1	1070	Bardon Gro Socilet) Co Cm Rd Pf 10p	1060	108p	1	FP.	1000				
1	113a 127a	Bearford Grp 7p(Net) Cm Cv Rt Pf 10p	97p	1130	9/1	F.P.	100p				
a [	_	Friendly Hotels 7oc Cy Cm Rd Pf	3000	7ppm	24/2	100	100o				
#	37	Et. Portland Ests, New 912pc Deb 2016	914	93%	29/3	E.P.	100				
1	900	Jessens 7.3p(Net) Cv Cm Rd Pf 20p	879 930	100%	24/1	F.P.	TUP.				
1	76p	Kest Energy Spc(Net) Cr Cm Rd Pf £1	540	81p	~~:	F.P.	100o				
Ш	1019	Leisure lars 7pc Cm Cr Rd Pf(1988) £1	860	103p	- 1	F.P.	100p				
:   "	9013	Lowe (R.H.) New Stape (Net) Co Pf 10p Nationwide Anglia 12.1sc 29.1.90	40980	1090m		MI I	1009				
1	9000 995 25	On 4 25cc ledex-Lighed 2024	992	25.	:	625 625	49.1				
2	98p	Rockware Grp 7's pc Cv Cas Rd 2nd Pf &Thorpac 8p Cv Rd Ptg Pf "01-"05 50p	88p 80p	100p	-	F.P.	100p 100p				

Rights Offers   Result   1988/69   Stock   Price   Price   Paid   Result   1988/69   Stock   Price   Price   Paid   Result   1988/69   Stock   Price							
Price   Pald   Renurc   1900/97   Stock   Price   + or   330   fill   17/3   165gm   67gm   ERF Holdings   135gm   - 1 140   fill   - 38m   31gm   Engannet International   31gm   - 2 117   fill   - 27gm   21gm   Misgles   H.T.) 10p   21gm   - 1 130   Mill   135gm   101gm     127gm   - 1 230   Mill   135gm   101gm   HT V V Vig. 50   127gm   - 1 230   Mill   135gm   101gm   HT V Viv. 50   127gm   - 2 230   Section   135gm   - 2 230   Section   135g	RIGHTS OFFERS						
p or Date High Low p  330 ffil 17/3 165pm 67pm ERF Holdings 136pm 77 140 HTI - 38pm 131pm Ergorett International 31pm 77 140 HTI - 38pm 131pm Ergorett International 31pm 77 117 HII - 27pm 21pm Weighes H.T. J. 100 22pm 131pm 12 30 Nill 133pm 101pm NFC Var. Ytg. 50 122pm 12 30 Nill 133pm 101pm NFC Var. Ytg. 50 22pm 22pm 22pm 22pm 12pm 12pm 12pm 12pm			+ 02				
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	140 Hill - 38km 33km Enganet International 117 Hill - 27km 135km 10km 117 Hill - 27km 10km 10km 147km 110km	31 per 21 pm 122 pm 21 ppm on part of special pay timated am as or other Q Gross R F Relation	- 12 Capita Heatle Offici Coreca V Issue				

TRADITIONAL OPTIONS						
First Dealings	Feb 6	Calls in Astra Hidgs,	Wins			
Last Dealings	Feb 17	Suter, Dares Ests, BSR,				
Last Declarations	May 18	Priest Bp, Bestwood, C				
For settisment	May 30	Charterhall, KCA Drilli galnville, De La Rue, 1	ng, E			
or rate Indications see Ondon Share Service	end of	Hobsons. Puts in TVS, sons. P/C Astra Hidgs,	Нор			

# LONDON TRADED OPTIONS

securities house, and insing ground on the underlying market, might have taken pride of place on the London Traded Options Market yesterday, had it not been for substantial closing of positions in the Fr-SE 100 index contract. The index uptin has been heavily traded of late against background of stories of busine

running onto the trading floor in London from a provincial house. it appeared yesterday that sub trappeared yestertay that sub-stantial unwinding of positions took place. The main activity in the index option lay in the Febru-ary 1950 calls which found tumof 2,077, some half of which

the-February 2100 calls, which attracted 1,420 contracts, mostly opening, and the March 2,000 calls, in which dealings of 1,950

the day, falling 18.7 points to 2,033.8, as the market studied and in the US, and awaited in particular today a announcements of UK retail price inflation figures and US overseas trada deficit news. The fall took place in spite of some upward drag nn the index emanating from dealings in it on the London international Financial Futures Exchange,

tract - more than one third of the market total, and consisting of index saw in overall perspective a modest closing of open interest in the calls, and a modest opening in the put - with the call side including substantial switching of positions.

Racal calls cama in 1,946, including some switching of interest into longer dated series, such as the May 360s.

Online	CALLS Ame. Jul. Oct.	POTS Apr. Jol. Oct.	CALLS PUTS Option Age. Jul. Sct. Age. Jul. Oct. Optic	CALLS PUTS IN Mar Jun Sep Mar Jun Sep
Alld Lyons	460 26 41 54			tine 420 45 47 57 5 9 14
(*469 ) .			Ultramar 280 - 42 50 - 21 26 Bar. (*292 ) 294 19 19 (*45) 300 - 52 40 - 32 36	7) 460 14 22 32 27 30 35 500 4 9 15 63 63 64
Brit. Airesty. (*193.)	160 38 41 47 180 21 26 31	1½ 3½ 3½ 3½ 9 10 11 17 18	3700798718 200 21 23 40 0 12 15 MAG	Circle 420 80 84 94 2 6 11 2) 469 42 50 64 4 16 20 500 15 30 40 18 37 38
Grit Cons	200 S 14 21	11 17 18	300 7 14 20 32 34 34	
(*235 )	220 24 30 36 240 11 17 25 260 5 10 16	14 10 19 20 32 34	Option . Apr. Asy, Nov. Apr. Aug. Nov. (*17:	180 4 10 12 74 9 13
Boots (*262.)	240 29 37 44 250 13 21 31	3 8 11 9 15 18	GEC 200 26 35 42 2 8 9 Mm (*220) 220 13 24 31 8 15 18 (*15) 240 6 15 18 22 26 30	1)· 160 10½ 20 23 9 13 18
	260 6 12 21	22 26 28	A.M	180 5 11 16 25 27 30 1200 82 127 170 16 35 43
B.P.	260 .12 22 26 280 4 12 16	S 10½ 13 21 22 24	R. Rojor 160 12 149, 25 6 S 11 (*120 ) 180 34 7 13 17 20 23	
British Steel	70 94 124 14	14 32 54 14 9 10	Hami	of SMAL 550 95 108 122 11 9 14
	80 3 5½ 8 850 92 122 152	44 9 10 5 12 16	(122) . 120 . 7 11 14 44 54 7	650 22 38 60 32 48 55
Bays . (*923 )	900 32 87 115 950 25 57 85	14 27 32 40 47 52		
			Option         Feb Apr         Jul Feb Apr         Ju	300 4 10 18 30 31 32 to 300 47 63 75 3 9 14
C & Wire .	360 68 80 - 390 43 56 70 420 22 37 49	7 14 · 16 · 16 27 30	(°527) 500 28 40 53 14 7 14 (°34) 550 - 14 25 - 31 57	7) 330 23 42 55 9 19 23 360 9 27 35 28 37 42
Cons. Gold	1400 110 145 165	55 73 80		and 8k 420 43 47 57 5 8 13 7) 460 12 22 30 26 28 33
	1500 50 05 95	100 115 120	8/h Aero 460 76 85 95 1 10 13 (535) 500 39 50 65 25 20 25 State 550 6 25 40 25 43 45 (12	120 10 146 10 4 0 11
Courtaulds (*294 )	280 25 34 40 300 13 25 30 330 42 11 18	S M D	BAA . 500 7 24 54 3 12 17 .	140 2 54 -172 202 -
Com. Union (*384 )	360 - 30 41 . 46	8 13 17	(*304) 330 1 11 18 20 30 54 THF BAT hole 500 49 61 72 1 10 17 (*28	
(*384 )	390 9 26 30 420 4 14 19	24 28 34 30 51 54	(*548)	EMI 650 60 75 80 6 11 20 5) 700 22 39 55 22 32 37
S.K.N.	330 33 41 53	8 13 16		come 460 36 54 73 10 19 25
(*355 )	360 13 25 35	21 24 30	Cathery Sci. 330. 26 37 50 . 2 10 14 April	Mar Jal Oct Mar Jal Oct
Grand Met. (*524 )	500 - 53 63 542 12 550 - 24 34	34	390 1 10 17 57 44 46 C57	tam 550 37 59 75 10 24 30 1) 600 13 33 47 40 50 54
•			Galantess 360 32 40 50 12 8 12 Unit (*970 ) 970 4 20 22 7 19 22 (*55	500 58 73 90 21 11 15
LCT (-17333)	1150 58 103 125 1200 28 75 98 1250 16 53 74	28 57 47 55 62 67 88 94 97	420 1½ 9 19 32 39 42 6mil	THE MAY MAY MAY MAY MAY
	1250 16 59 74	88 94 97	(45) 428 63 80 95 1 8 14 (133 (148) 460 23 53 72 3 75 76	
'Jaguar ('905')	280 34 45 54 300 19 34 42 330 8 18 28	86 14 18 16 24 26 25 36 42	500 4 28 45 25 42 50 Ram	
	330 8 18 28	16 24 26 35 38 42	P. & O. 550 127 137 142 11, 4 6 Teso (1676) 600 77 92 103 2 0 10 (115	140 20 25 25 15 35 6
Land Secur	550 57 50 72 600 12 27 43	8 -20 24	1650 27 45 63 3 20 23 Opti	Mar Har
.(*568.).			(SD) WITH A IT IN SO 52 (24)	25
# & S (2427)	160 14 18 25 180 52 82 14	5 0 10 16 20 22	Plessy 220 36 47 52 1 4 9 945 (**255)** 240 16 30 36 14 8 12 502 (**255)** 260 2 10 24 11 17 20 (**41	
STC	300 20 33 41	10 17 22		5) 420 21 32
(*310.)	330 76 19 2	32 33 38		32 × 2005 102 1 <u>3</u> 2
Salestery (*234.)	200 40 44 50 220 22 29 36 240 9 16 25	2 35 5 45 9 11 13 17 19	N.	7 1995 10A
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(272)	180 9 10 -22 200 4 11 15		950 2 18 33 42 58 55 290 Bylline Pai May Sep Feb May Sep 1955 200	型 1/4 1/3 à 21 sh sh
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104 0 544-0	. 700 A1 60 61	in 19 '14	Austral 140, 21 28 33 312 6 9 Feb	bary 16 Total Contracts 37 812

# **UK COMPANY NEWS**

# Acatos denies bid talks and shares fall by 25p

MR IAN HUTCHESON, chairman of Acatos & Hutcheson, the edible oils and fat manufacturer, moved to halt the recent speculative run on his company's shares yesterday with a strong denial of

takeover rumours.

Speaking at the company's annual general meeting, he said. I can assure shareholders that the board is not aware of any proposals for a manage-ment buy-out, nor has an approach been received from a

approach been received from a third party.

The shares, which had moved up from about 190p over the last month, promptly shed.

25p to close at 218p.

Mr Hutcheson accompanied. his statement with a warning

that difficult business condi-tions prevailing at the end of last year continued and were, if anything, worse. Mr.Carl Short, food manufac-

turing analyst at stockbrokers Kithat & Aithen, said he was continuing to forecast pre-tax profits of 28m, down from £11.78m, for the year to end-

September.
Mr Short pointed out that substantial share stakes held by directors and other friendly parties meant it would be difficult for a predator to launch a best to be seen to be see hostile takeover offer for Aca-tos. At the same time, with no let-up in uncertainty about the future of the British edible oils market, it appeared to be a difficult time to put together a

management buy-out proposal.
Acatos' share price, which
stood at nearly 500p this time a
year ago, has suffered a dramatic slide amid worsening information about its commod-

The central problem is that overcapecity in the British edi-ble oils market has been exac-erbated by the inroads of Continental importers, able to undercut in price terms because of the rise in sterling against the D-Mark. In addition, Acatos has been

hit by higher UK interest rates. It has been expanding into the more favourable Spanish market, but is not expecting profits from this source until early

it had invested over £12.5m in buying other companies and businesses for cash and in meeting deferred consider-

ations on earlier acquisitions. It added that it also expected to have invested over £8m on new

capital equipment by the end

of its current financial

# lifts Norton Opax stake to 25.7%

**Bowater** 

BOWATER INDUSTRIES, the packaging and industrial prod-ucts group, has increased its stake in Norton Opex, the specialist printer, from 23.7 to 25.65 per cent just over a week after it sold 1m shares in line

after it sold im shares in line with a Takeover Panel ruling.
The packaging company acquired the bulk of the stake from Mr Robert Maxwell's Bishopsgate Investment Trust on January 20. It is thought the 3.12m Norton shares bought yesterday were held by Maxwell pension funds, and had been promised to Bowater when it bought the original stake in January.

stake in January. Despite Norton's suspicions about Bowater's intentions, the packaging group has said it is a supportive shareholder and has met Norton's management to discuss co-operation.

### General Consd

Consolidatad Investment Trust net assets at 1988 stood at 200.4p per capi-tal and 53p per income. A final dividend of 4.49p, making a total of 8.44p, is proposed.

# WCRS sets up TV production company with ex-Trilion staff

By Andrew Hill

and communications group, has lured some of the man ment and production staff of Cheerleader, which claims to be Europe's biggest indepen-dent sports television production company, away from Tri-lion, the TV facilities group. It is WCRS' first direct move into television production.

Seven Cheerleader employ-ees, including the former man-aging director and former deputy managing director, have set up a new company, Grand Slam Sports. WCRS will pay them up to \$4m, dependent on Grand Slam's profits over the next three or four years.

Trillion, which will retain the Cheerleader name, said yesterday it had lost no important business as a result of the moves to Grand Slam. It said Cheerleader continued to work at full strength and had replaced most of those employ-

Cheerleader has been respon-sible for much of the independent sports programming on Channel 4, including the American football and sumo wres-

Grand Slam is to join Pascoe

WCRS GROUP, the advertising Nally International, WCRS' sponsorship business which is headed by Mr Alan Pascoe, the former Olympic hurdler.

PNI said yesterday that Grand Slam would continue to produce the same style of pro-gramme and has planned 100 hours of airtime of 32 sports in 22 countries during 1989, including programmes for EBC, ITV, Channel 4 and Sky, the new satellite TV company.

Grand Slam will also link up with WCRS other divisions, in particular the media-buying operation. In addition the new company will produce educational soccar programmes for WCRS' new joint venture aimed at promoting soccer in the US.

### Scottish Metro

Scottish Metropolitan Property is issuing a further tranche of 230m nominal of 10% per cent first mortgage debenture stock 2026 at a price to be fixed by reference to a margin of 1.4 per cent over the yield of 9 per cent Treasury stock 2008. This tranche increases the amount of the stock in issue to 500m. of the stock in issue to \$60m.

The company that's good at figures has changed its number

01-638 1774

With effect from Monday, 20th February 1989, this is the new number for:

Hill Samuel Investment Management Group Hill Samuel Investment Management Ltd.

Hill Samuel Property Services Ltd.



HILL SAMUEL INVESTMENT MANAGEMENT LTD. 45 Beech Street, London EC2P 2LX.

# CHI £15m preference issue

CH INDUSTRIALS, the specialist engineering, building and chemicals group, yesterday announced a £15m issue of cumulative redeemable prefer-

ence shares.

The company said that the issue, conditional on shareholder's approval, would reduce gearing and facilitate a number of "infill" acquisitions. The 15m shares carry a coupon of 9% per cent. They were issued at 101.506p, giving a yield of 12.632 per cent — a margin of 3.75 per cent over the gross redemption yield on 9 per cent. Transpired on 9 per cent. per cent Treasury Stock 2006 at 3pm yesterday. The issue was underwritten by Kleinwort

A number of corporate finance departments have suggested that preference share issues might be due for a revival in popularity - partly

because of the volatile ordi-nary equity market. Yesterday, CHI said that it

had taken this funding route because it appeared the most efficient and appropriate means of meeting its increased

capital requirements. capital requirements.
Although denying that CHI had been advised against the alternative rights issue path, Mr Tim Hearley, chairman, said that the company would prefer to go to shareholders if a single major acquisition was in wind.

CHI currently has debt of around \$40m - including all leasing and HP finance, and excluding its investment holdings - giving a gearing ratio of around 80 per cent. If the new shares are treated as equity, the gearing ratio falls around 30 per cent. In the current year, CHI said

# **Currency influences help** lift Photo-Me to £8.72m

PHOTO-ME International the photograpic booth manufacturer and operator, reported pre-tax profits increased 30 per cent from £6.68m to £8.72m for the six months to October 31

and minorities of £692,000 (£786,000) earnings per 5p share worked through at 16.39p (11.44p). An improved interim dividend of 1.2p (0.6p) is

Mr P D Berridge, company secretary, said that the net effect of currency movements

vere auverser

The shares closed 5p up at

had produced a positive result on the figures and that, subject to there being no significant movements in exchange rates. This result was achieved current returns indicated con-after an increased depreciation tinued growth in trading profit charge of £3.06m (£2.43m) and during the second half.

came from turnover up from \_ With some two-thirds of \$39.5m to \$50.3m, a 27 per cent seles and half the prefits contine to the prefits to by the strength of sterling, resulting in a currency loss of some £1.3m at the

# Hopkinsons to dispose of loss-making core business

By Nick Garnett

HOPKINSONS HOLDINGS, the troubled specialist valve maker is to put up for sale its core manufacturing business in Huddersfield.

A prospectus is expected to be issued shortly for the sale of Hopkinsons Ltd., which accounted for about a third of the group's sales of £73.7m last

The group announced on Friday that it was shutting Hop-kinsons Ltd with the loss of about 1,000 jobs.

The announcement was made during negotiations with union officials over a long run-ning dispute at the Hudders-field site.

A management group, with employee participation is being formed to try and buy the com-pany which manufactures steam valves, actuators, bother mountings and soot

The group is led by Mr Philip. Thomas, a former chief executive of Hopkinsons Ltd. His group would be looking to raise about £10m for the pur-

, he said. The company is believed to have been making losses at the rate of £300,000 a month. Mr Thomas said there was no need for the company to make losses. "It is a question of mannent," he said yesterday.

# BRITISH TELECOM THIRD QUARTER RESULTS. "British Telecom's earnings per share for the nine

months to 31 December 1988 improved by 12.1% to 19.8 pence, and pre-tax profits rose by 8.4% to £1,862 million, compared with the same period of the previous year.

"This improvement was largely due to the increased use of telephones, with inland and international call volumes up over 10% and over 14% respectively.

"We are continuing to invest, on average, £50 million every week in improving our systems, services and products.

"To date, we've laid more than 300,000 miles of optical fibre, which can carry as many calls as a conventional cable nearly ten times the size.

"We've installed over 1,850 digital exchanges, bringing the benefits of new technology to 4.3 million customer lines so far.

"We are moving towards world leadership in mobile telecommunications with the introduction of Phonepoint, a revolutionary mobile telephone system, and plans for a major investment in McCaw Cellular Communications, Inc., a leading cellular telephone company in the USA.

"In the first three quarters of the financial year, we added 2,900 new payphones to the network; and we continue to increase the number working at any one time.

"We've already provided speedier and more efficient enquiry and order handling services to over half our customers through the Customer Service System – one of Europe's largest computing projects.

"We're cutting delays and disruptions through new network management techniques, which allow calls to be re-routed automatically if lines are overloaded.

"And we have held the prices of our main services steady for over two years - a period during which inflation has risen by over 11%.

"In short, we have achieved a satisfactory financial performance and have continued our drive to better customer service."



IAIN VALLANCE, CHAIRMAN

Earnings per share

### **31 December 1988.** Cumulative Third quarter 3 months ended 9 months ended 31 Dec (unaudited) 31 Dec (unaudited) 1988 1987 1988 1987 2,588 8,201 7,497 Turrover Operating profit 648 **2,104** 1,918 Profit before tax 582 1,862 1,717 Profit after tax 371 **1,201** 1,094

Third quarter and nine months results to

If you have any queries as an investor please call +44 1 356 4909. British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.

6.0p **19.8p** 17.6p

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# Charterhall rights issues continue with £18.7m call

By Ray Bashford

CHARTERHALL. investment company beaded by Australian businessman Mr Russell Goward, is making its third cash call in the past 12 months following a 46 per cent increase in pre-tax profits in the half year to December 31

Sharebolders are being asked for £18.7m through a one-for-four rights issue st 20p a share compared with yester-day's closing price of 22 4p -

down 2p.

Mr Goward said that the funds would be employed to continue the acquisition and investment programme which in the past year had led to the £27.2m acquisitioo of Corah, the textiles group, and substantially increased stakes in three other publicly-listed compa-

Westmex, the Aostralian company which has a 53.2 per cent interest in Charterhall and is also headed by Mr Goward, is taking up its full

Pre-tax profits in the six months were £5.76m compared with £3.95m in the correspooding half. In line with the com-pany's policy shareholders are heing offered an alternative between acceptance of a 1p a share dividend or a one-for-15

Operating profits totalled £8.57m (£4.19m) of which £2m came from property disposal posal in the US.

The footwear retailing operations, put together through the acquisition and rationalisation of Allebone at the end of 1987 and Lennards in August last year, are esti-mated to bave contributed slightly below £5m to the pre-

The move into footwear retailing has been the ceotre piece of Charterhall's transformatioo from a troubled oil and gas company during the past two and a half years .

The acquisition of Corah is seen as a beachhead in the textiles industry and as forming a second leg of operations in another sector seen by Charterhall as ripe for rational

The directors have placed a value of £162.4m on group net assets at December 31 of which Tandem Shoes, comprising all the shoe retailing husinesses, made up £85m and Corah

Mr Goward, who is also managing director, explained the increase in worth of Corah since the takeover as being due primarily to the increased efficiency that has been extracted as a result of the rationalisation programme.

Mr Goward again denied that he was a share trader. "I would like to own 100 per cent of all companies that I invest in if I could," be said.

This sttitude has left several

companies guessing about his intentions during the past 12 months. Charterball's most promineot holdings are a 29.9 per cent stake in A Goldberg, the Glasgow-based retailer, 25 per ceot of Bridport-Gundry, manufacturer of netting and woven products, and a 17 per cent interest in Hornhy, the toy and leisure products

The chairman said that stakes were held in several other publicly-listed companies but were below the level for declaration and he declined to reveal their identities

Following the hostilities with the Bridport board at the annual meeting he said: "We are not supportive of the management. Whether we feel it serious enough to launch a hostile bid remains to be

The two previous cash calls were a one-for-two issue last February and a one-for-five last

# AIPF plans to lift Sutton Water stake via tender offer

By Andrew Hill

MR DUNCAN Saville, a Sydney-based businessman, is attempting to lift his stake in Sutton District Water Company from 12.5 per cent to 29.9 per cent through a tender offer. Satton, which is part of Thames Water Authority's region, advised shareholders to do nothing and is hoping to meet with Mr Saville next

Associated Insurance Pension Fund, a vehicle for Mr Saville's investments in statutory water companies, is aiming to buy up to \$88,000 nominal of Sutton's 7 per cent and 4.9 per cent ordinary stock at £15.10 cash for every £1 nomi-

AIPF said yesterday that it was interested in a long-term strategic shareholding in Sut-ton and wanted to preserve the company's independence and integrity.
The statement also said ben-

efits might be available to Sut-ton, which is based in Cheam, Surrey, through AIPF's strategic holding in other UK statu-tory water companies. AIPF also has a 28 per cent stake in Sutton'a neighbour, East Surrey Water Company.

If the tender offer is success-

ful. Mr Saville will be reinvest-

ing about £1.33m released last week when AIPF sold part of its UK water portfolio to its joint venture partner Southern Water Authority. Should Mr Saville win more than 25 per cent of the votes he could influence the company by threatening to block its conver-sion to public limited company status following the flotation of the public water authorities in

Southern and AIPF mounted unsuccessful counter-bids for two water companies in the authority's region last month. AIPP still owns stakes in West Kent, Mid-Sussex, Eastbourne, Folkestone and Mid Kent water companies. Southern has influential 25 per cent stakes in the first four, which are owned by

French water suppliers.

AIPF also holds 1.7 per cent of Sutton's non-voting 3.15 per cent preference stock. The tender offer closes on February 21.

Tribune assets up

The net asset value of Tribune Investment Trust stood at 218.2p at December 31 1988 an advance of 14 per cent.

Not revenue was £2.47m
(£1.98m) A final dividend of 3.28p makes of 4p (3.6p).

# Owners Abroad in optimistic mood as profits rise to £9.6m

By Clare Pearson

OWNERS ABROAD, tour operator and airline seat bro-ker, lifted pre-tax profits from 23.45m to 29.54m in the year to the end of last October. Yesterday's announcement

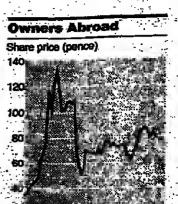
followed recent news that leading tour operators were cutting capacity in response to a sharp downturn in bookings this year. But Owners Abroad stressed it welcomes such measures which should tend to protect industry profitability by preventing beavy price dis-

counting.

Although it was too early in the season to take a firm view, early indications for its own business were good. The company's own summer bookings were about 10 per cent abead in the tour operating division; while Air 2000, the airline would this year increase its fleet from four to

There is a final dividend of 1.75p, down from 2.1p last time but making an increased 2.35p (2.10p) for the year. Earnings per share came out at 7.70p (1.47p). There was a one-for-two

rights issue last July. Exceptional items in 1988 amounted to £1.36m (£3.7m). They included a 2444,000 compensation payment to Mr Nell Scott who resigned as chairman last April, £432,000 worth



of provisions for office retur-bishments, and £923,000 (£1.67m) worth of aircraft intro-ductory costs.

On turnover of £247.67m (£154.51m), operating profit was £12.11m (£7.18m). There was a statim (£7.18m). There was a statim (£21,000) loss from associated companies, mainly arising from Tjaereborg UK, parily owned with a Danish company but transformed into a subsidiary during the year. Tjaereborg is expected to make a positive contribution by the research

Airline 2000, the group's air-line with about half of its busi-

25.85m (23.35m) contribution to operating profits. There was indprofits breakdown between

Now that the British holiday industry appears to have put the era of cut throat price wars behind it, nasty occurrences like rises in mortgage rates are not, so frightening as they might seem for a company such as Owners abroad. The seat wholesaling side can indeed benefit from operators adopting a more flexible approach to capacity. Although approach to capacity an approach to capacity. Some street, followers are looking for another good year from the company with benefits coming forough from the expansion of the airline fleet, the non-recurrence of exceptionals such as Tjaereborg losses and provisions for office refurbishment, and a full-year's help from the £12.68m rights issue. Pre-tax profits of at least £13.5m are in sight for 1989, putting the shares on a p/e multiple of about 8.5: apparently undemanding although trading will probably be quiet pending more information about this year's holiday demand. Eagle growth is not going to be so. year's holiday demand. Eagle Trust still has 15 per cent of the shares but speculative interest fizzled out last year.

British Airways pre-tax profits for third quarter to 31 December 1988 were £51m, up 46 per cent.

Group turnover up 20 per cent to £1053m.

Earnings up 44 per cent to 4.6 pence per share.

15 per cent more passengers on scheduled services, cargo up 37 per cent.

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# **SCMB** reports marginal improvement to £18.2m

STANDARD CHARTERED Merchani Bank, wholly-owned subsidiary of Standard Char-tered, announced pre-tax prof-its of £18.2m for 1988, margin-ally ahead of the previous year. Str Leslie Fletcher, chairman, said that as SCMB moved

international corporate and stock market activity.

Project Finance activity showed a dramatic increase in completions over previous years. Scimitar Development Canital Fund made a number of investments both in the UK away from asset based income, of investments both in the UR and US, and has now invested about 50 per cent of its funds.

# Futura predicts standstill

FUTURA HOLDINGS, the Manchester-based manufac-turer and distributor of footwear, yesterday indicated in a brief Stock Exchange announcement that pre-tax profits for 1988 would amount to £450,000, exactly the same as the previous year. No further financial details

were forthcoming, although the company did add that the current order book is lower than it was at this time in 1988. Shares in Futura fell 2p to 123p, capitalising the company at £4.5m.

Last year, Futura was taken over by Mr Beverley Oates, a Mancunian businessman.

## Ricardo defence criticised

day by Ricardo Group, the engine and transmission

First Technology yesterday #1.1m interim pre-tax profits sharply criticised the defence which accompanied the docudesigner which is resisting its the results only represented a f21m all-paper takeover bid. Although calling Ricardo's achieved three years ago.

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# BP strength in a year of fluctuating oil price.

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- BP Chemicals achieved record profits up 126%.
- The acquisition of Britoil has substantially improved our North Sea prospects. BP Exploration is now both the largest oil producer and holder of crude oil reserves in the UK North Sea.
  - Sixth successive year of dividend increase.

Financial highlights	1988	1987
Group profit		
- historical cost	£1,210m	£1,391m
- replacement cost	£1,437m	£1,308m
Earnings per share	20.0p	24.9p
Dividend per Ordinary Share for full year	13.5p	12.5p
Dividerd growth 1983-1988 69%.		

\*Which excludes stockholding losses.

The equitants of the advertisement, for which the Directors of the British Petroleum Company p.Lo. are solely responsible, have been approved for the purposes of Section 57 of the Financial Service Act 1986 by Ernst 2 Williams, a firm authorised by the institute of Chartered Accountants in England and Wales to carry on investment business. The British Petroleum



# Crest Nicholson up 50% at £36m

By Andrew Taylor, Construction Correspondent

CREST NICHOLSON'S announcement yesterday of a 50 per cent increase in pre-tax profits continued the recent string of good results from residential and commercial property developers.

Pre-tax profits in the 12 months to October 31 rose from £24.01m to £36.05m on turnover 20 per cent ahead at £268.33m (£222.81m). Basic earnings per sbare Incressed to 27.9p (20.09p), and a final dividend of 4.65p makes a total of 7.15p

(5.7p).

However, the company was at pains to stress its defensive qualities in a housing market which it admitted had become more difficult since October when its last financial year

Mr David Donne, chairman, said non-housing activities contributed 30 per cent of total profits against less than 20 per cent last time. Commercial

Harding £2.57m buy

property profits rose from £3.11m to £7.68m.

He said the company was planning to increase the num-ber of homes sold this year from about 1,400 to about 1,600, despite more difficult market

Net reservations between August and January had been several percentage points higher than during the corresponding period a year earlier in spite of a higher level of cancellations due to buyers being unable to sell their existing homes.
The company said smaller

sites - the average Crest site contains less than 30 homes had been less severely affected by higher mortgage rates than larger sites. Only three Crest sites had failed to meet sales targets during the last six months. These were all on developments of more than 200

	Turnover	Pre-lax
	£m	profit £m
978	34,0	2.8
979	43.1	4.3
980	48.4	5.4
981	54.1	6.3
982	58.9	6.7
983	72.3	7.0
984	90.8	8.5
985	110.0	9.2
925	212.8	15.5
987	222.8	24.0
988	268.3	36.1

Crest said increased house sales to housing associations and building societies were unaffected by rising interest rates. The company planned to bring several new sites on stream this year which would also help to increase sales.

Crest's low gearing (it had nil borrowings at the end of Janu-

ary) together with indicious management of a land bank management of a land bank providing up to eight years work if all its options are exer-cised should assist the com-pany in the coming months. Commercial property profits may also achieve double figmay also achieve double lig-ures this year with work under way on developments with an estimated value of £250m. Con-tracting order books and mar-gins have also improved in line with the rest of the industry. Longer term the company can expect to benefit from the 600 acres of land it controls near Swindon where the Environment Secretary has approved in principle a 1,500 acre new town development. The com-bined strength of Crest's land bank and commercial property development programme more than justifies a prospective p/e of just under 7 - at the higher end of the current range for

# Nesco buys 90% of IIDM

Harding Gronp yesterday announced the acquisition of Advance Electrical Distribntors, an electrical products dis-tributor, for £2.57m in cash and paper. This is the first acquisi-tion by Harding, which makes floor joists and distributes elec-

trical products, since it joined the USM in May last year. AED is expected to complement Harding's distribution activities in the East Midlands, raising its number of branches by nine to 24. It made pre-tax profits of £385,682 in the year to March 31 on turnover of

nary at 92p apiece.

NESCO INVESTMENTS has moved closer to its ambition of becoming an information technology group with the acquisttion of 90 per cent of HDM, a French computer software

IIDM runs a software system for motor dealers similar to the Dealerman system operated by DCS Group, a British company which Nesco bought for £4m last November. Mr Robin Lodge, Nesco

chairman, said the purchase of IIDM for a nominal sum would increase the Dealerman net-work from about 1,600 users in the UK to 2,000 users in Britain

and France. In November 1987, Mr Lodge, who has a background in computer software, and Mr Brooke Johns, his partner, injected £1.98m into Nesco, the principal assets of which were an electricity supply company in Nigeria and a garage in Leices-

Mr Lodge said that Nesco, which has suffered from the devaluation of the Nigerian currency. was looking to expand its information technol-ogy interests in the financial sector, and the distribution and manufacturing manage-

He added that the sale of the profitable Nigerian company was always a possibility, but the Midlands garage would probably be retained.

### SHARE STAKES

The following changes in Derwent Valley Holdings -Topcastle Holdings has acquired 132,986 ordinary, bringing the holding of compacompany share stakes were announced recently: Atlas Converting Equipment - Mr CR Rogers, chairman, has reduced his shareholding to 2.26m (27.9 per cent) with the sale of 250,000 ordinary at nies in the Topcastle Group to 650,806 (8.4 per cent). Early's of Witney - South

Yorkshire Pensions Authority 320p each. Bassett Foods – Goldman is interested in 301,250 ordinary (about 5.15 per cent).

Eve Group – Scottish Amicable Investment Managers has sold its entire holding of Sachs Equity Securities (UK) has increased its bolding to 650,000 (4.13 per cent) with the purchase of 200,000 ordinary. 750,000 ordinary (7.99 per cent). Fife Indmar — Overseas Cor-Blne Arrow - Mr DE Atkins, a director, has bought 1,000 ordiporate Funds UK has bought 20,000 ordinary, bringing its holding to 392,000 (5.65 per Chemex International - Medi-

race has purchased 1.05m ordicent). Fisher (Albert) Group - The nary, giving it 14.7 per cent of the issued nominal capital and following directors have reduced their beneficial hold-ings: RP Edwards to 319,723, 11.76 per cept of the aggregate

with the sale of 250,000 ordinary, NDJ Freeman to 289,207 (59,293); DG Pearce to 1.16m (140,000); RG Portergill to 2.48m (252,342). The shares were sold for 98.5p each.

Foster (John) & Sons - General Investment Australia has lifted its stake to 1.91m (17.1 per cent). Heywood Williams Group -As a result of the recent issue of additional ordinary, the interests of the Knwait Invest-ment Office has fallen below 5

per cent. Macallan-Glenlivet — High-land Distilleries has lifted its holding to 761,752 shares (9.6 per cent) with the acquisition of 149,000. Marinex Petroleum - Canada Northwest Energy has sold its holding of 25.11m ordinary (25.27 per cent). Owen & Robinson - Mr FW

Lawrence has reduced his holding to 168,054 shares (6 per cent) with the sale of 82,500. Seafleld - Mr Donal Kinsella, a director, has reduced his holding to 218,393 ordinary (1.72 per cent) by selling

Stance Exhibition Group - Mr PG and Mrs S Dunkley, holders of 2.72m and 730,777 ordinary respectively, have disposed of their entitlements under the rights issue - 1.36m and 365,388 shares respectively. Their notifiable percentage has fallen pre and post the quotation of new shares from 7.67 to 5.11 per cent.

# **IBC** tucks another US publisher under its wing

By Clay Harris

Communications (Holdings). the financial tipsheet pub

INTERNATIONAL Business

the financial tipsheet pub-lisher and conferences organiser, is to buy Political Risk Services, a US-based newsletter publisher. The acquisition, for an undisclosed price from the US consulting and market research group Frost & Sulli-van, is expected to be followed shortly by IBCs purchase of the larger FT purchase of the larger FT International Reports, a US newsletter subsidiary of Pear-son, the diversified group which owns the Financial Times. Pearson bought Inter-national Reports in 1982. IBC first moved into the US in Sentember 1987 when it

IBC first moved into the US in September 1987 when it bought Donoghne Money Fund Report, the leading publication monitoring the US money fund industry.

Political Risk Services, which publishes several reports a year on each of 85 countries, has about 350 subscribers, according to Mr Jonathan Bloch of IBC. On pre-tax monits ofless than £1m. IBC is profits ofless than £1m, IEC is paying a prospective multiple of 5.7.

IBC plans an increased mar-keting effort and content changes in an effort to

changes in an effort to increase the company's pre-tax margin from 15 per cent to 30 per cent.

"We're going to change the emphasis from 70 per cent political to probably 50 per cent political and 50 per cent economic," Mr Bloch said.

Political Risk Services also holds two conferences each holds two conferences each

year, one in London and one in

Prost & Sallivan has been a private company since January 1988, when it was taken over hy a group owned by Mr Theodore Cross, a financial publisher, and affiliates of E.M. Warburg Pincus, the US investment

emr Sylvester Stein resigned yesterday as a non-executive director of IBC and his entire holding of 341,170 shares was placed at 138p. Mr Stein joined the group when it acquired his company, Stone-hart Publications, in 1986.

# Sharp & Law makes first European acquisition

SHARP & LAW, the USM-quoted shopfitting group, has made its first acquisition in continental Europe, buying Giblin Lavault, a French shopfitter and kitchen manufac-turer, for FFr12.5m (£1.13m) in cash.

Mr Brian Considine, chairmen of Sharp, said he hoped his group could distribute its own shopfitting systems in continental Europe, using Giblin as a base. In particular he wants to

open up a market for Sharp systems designed for do-it-yourself products and clothing, building on Giblin's

strength in food display units. Sharp was also considering further expansion in Europe, through acquisition, organic growth or joint ventures in Belgium, the Netherlands or

About 25 per cent of Ginta's manufacturing output consets of metal shelving and display systems, sold to clients incluiing Esso and the French supermarket chains, Carrefour and Mammouth. Multiflex, a subsidiary of Sharp, already but equipment from Giblin, for use in the design and installation of food halls.

The senior management of Giblin, which is based in Mig-ennes, 80 miles south of Paris, has left as part of a programme of restructuring and redundan-cies at the French group. In all, 38 jobs will be lost, although Sharp will bear none of the redundancy costs.

The UK group is to pay an initial FFr5.5m for Giblin with the balance of FFr7m paid in 15 monthly instalments beginning at the end of April. The French group is expected to achieve sales of FFri00m in 1989, and has fixed assets of FFr11m, including a 200,000 sq ft fac-

# River and Mercantile net assets expansion

RIVER AND Mercantile Trust, a split-level investment trust, reported net assets of 49.43p per moome share and 150.98p per capital share at December

The values compared with respective figures of 44.6p and 144.2p prevailing a year earlier. Gross income for the year to end-December amounted to £8.28m (£7.25m) including franked dividend income of £6.97m (£5.53m). Net revenue expanded 16 per cent to £5.28m (£4.55m), and earnings per

Turner & Newall Holdings, 51 per cent-owned South African subsidiary of T&N, increased 1988 turnover from R145.6m to R234.7m. Pre-tax profits, however, improved hy only R300,000 to R20.5m (£4.78m). Asseng, another South Afridividend increases in 1989 were somewhat lower, they said, although barring unforce circumstances, they expect to recommend a total dividend of 7.05p for the year.

income share worked through at 6.75p (5.63p).

Directors said that strong corporate earnings and dividend growth enabled a proposed final dividend of 2.35p, making 6.55p (5.67p) for the

However, expectations for

T&N South Africa margins suffer

can subsidiary of T&N, increased turnover by R27.Im to R105.7m and profits before tax by R5.8m to R10.5m.

As already announced, T&N is to sell fix 76 per cent stake in Asseng to Turner & Newall Holdings

Expamet in \$3.1m US expansion

ixpamet International, the brilding products and security some, yesterday said that its Ul subsidiary had acquired Oil At, a hydraulic bladder accu-

Ar, 2 hydratine bilanter acti-milator manufacturer, for 3.m (£1.75m). It the year to January 31 1986 Oil Air's profits before interest and tax are projected at \$60,000 on turnover of \$2.9n Expannet is paying \$1.8m on completion and the balanc after an audit.

### Ladboke

Ladbroke Group has declared its 21860 offer for Thomson its £186n offer for Thomson T-Line meant it after having releived acceptances for 80.9 per cent. Mr Cyrli Stein, chairman and managing director, sait the 90p per share offer had allowed Ladhroke to acquire Vernons football reads at a relaint process. pools, "it a realistic price."

# TVS stake transferred

THE ownership of a 12.44 per cent stake in TVS Entertain-ment, the independent televi-sion contractor, has been transferred from Generale d'Images, the French television production company, to its par-ent, Compagnie Générale des Eaux, the water supplier and service group.

Générale d'Images and Canal Plus, the pay-television chan-

by Generale des Eaux, backed TVS's \$220m takeover of MTM Entertainment, a US independent production company, last

Each picked up 10 per cent of the TV company's fully-diluted share capital at 340p per share. British law prevents any single foreign investor from owning more han 10 per cent of a regional Ty company.

Générale les Eaux paid 340p per share ar its subsidiary's stake, which is worth about

In addition, thought £3.95m of subordinated convertible unsecured los stock, which was also part of last year's MTM deal.

### Ex-MSC chief uneasy on Highams share sale ARROW CAPITAL N.V. TAKE-OVER BID FOR FORGES DE CINEY S.A. MR NICHOLAS BERRY,

On behalf of the former majority share-holders who old their S.A. Forges de Ciney shares to Valor, a limited company under

(IN BANKRUPTCY) BY YALE & VALOR PLC.

surprised by the account of the legal proceedings subsisting between themselves and the English firm Yale & Valor PLC (formerly Valor) at given by the latter company in the prospectus relative to the cake-over bid of the shares of Forges de Cincy S.A., currendy in bankruptcy, hunched on 2 january 1989.

They deem is imperative to rectify the senous inaccuracies contain

In its judgement of 20 May 1987, the Brusels Court of Ap-

Repudiated the action taken by Valor on the contractual guarantes provided under the agreement to sell.

Also disallowed was the action to nullify the sale on the grounds of an alleged wifel misrepresentation on the part of the sellers, to conclude thet "it is certain, on the contrary, that it is exclusively the disastrous management of Valor which caused Ciney to go

The same judgement moreover sentences Valor to pay three ties of 8F 100.000 each to the three parties against whom Valor tested its claims, on the grounds of a rash and vexatious trial.

The shareholders who are members of the former majority not moreover but object to the attack on the princip of equa- fity of share-holders that the terms and conditions of the Valor bid energi, and reservthe right to exercise such recourse as the law provides, should the need Established in Curucan, Netherlands Autilies,

To hear the report by the Managing Director on the busing and the conduct of its affairs during the finest year ended to

3) To re-elect INTIMIS MANAGEMENT COMPANY N.V. as the Managing

To re-appoint MESSRS COOPERS AND LYBRAND, Curação as the independent auditors of the Company for the emming year.

8) To approve the offer by the Company to shareholders for the repurchase of its outstanding shares up to a total amount of US \$ 3.5 min at a price per share equal to the unaudited net asset value per share as of March 31, 1989 ices a 3 percent discount payable in cash. To transact any other business which tray lawfully arise at the me

INTIMIS MANAGEMENT COMPANY N.V.

former chairman of Manchester Ship Canal Company, has told a public inquiry of his over certa the takeover of the group in

Mr Berry was chairman in the final stages of MSC's battle against takeover by Highams, a company owned by the prop-erty developer Mr John Whittaker, who now holds 57 per cent of MSC shares. He made particular reference to a disposal of shares ordered by the Takeover Panel and the "unbundling" methods used by

During the bid, the panel ordered Highams to sell some ordered highams to sell some 225,000 MSC preference shares to bring its holding below 30 per cent. They were placed with two institutional inves-

tors on July 31 1986. Within a matter of days, Highams' offer had been published and the two investors had accepted. Mr Berry said he

siderations," he told the inquiry, which has been con-vened in Manchester by the Department of Transport to consider Mr Whittaker's pro-posals to change MSC's board structure and increase the group's borrowing powers.

Mr Berry then criticised the
"unbundling" operation undertaken by Highams, alleging

stand ontside labour exchanges in Manchester, signing up numinees and paying them 2I each.

MSC's voting structure favours small shareholders. "Unbundling" a 1,000-share block into 10 100-share parcels, for example, would increase the number of votes attached to the total from 28 to 100. Following complaints to the

that the company had employed teams of canvassers

that Highams had admitted breaches of the Prevention of Fraud (Investments) Act 1958 in relation to the distribution of nominee forms without an authorised dealer in securities. However, the inquiry was also told of assurances given by Highams to the DTI that the "unbundling" documents had only been handed over after

oral consent from prospective nominees to act as nominees. Earlier, the role of the panel in allowing the bid to proceed three months after an underiking that none was planned in the "foresecable future" led to clashes between Mr Charles

Sparrow, QC, for the objectors, and Mr Deakin.

Mr Sparrow's contention that an undertaking given on February 4 1996 by Highams had been broken was strongly

found it "incomprehensible"

that the institutions had accepted the offer.

"The decision could not have been based on commercial company's solicitors had been informed by the IVIII. roughly three months.\

> First Union Corporator U.S. \$150,000,000 Floating Rate Notes due 1996 The rate of interest per annua

on First Union Corporation's U.S. \$150,000,000 Floating Rate Notes due 1996 for the interest period beginning 16th February, 1989 and ending 16th May, 1989, the next interest payment date, will be 9%%. The amount of interest payable for such interest period on each \$10,000 principal amount of the Notes will.

be \$244.13. Bankers Trust
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# **GULF CANADA RESOURCES LIMITED**

NOTICE OF REDEMPTION

TO: EACH HOLDER OF 144% NOTES OUE APRIL 1, 1992 NOTICE IS HEREBY GIVEN that Gulf Canada Resources Limited (the "Corporation") intends on April 1. 1989 (the "Redemptino Date") to redeom all of its contrading 1445 Notes due April 1. 1989 (the "Notes"), which Notes were issued pursuant to a level indendure disted as of April 1. 1982, made between Golf Canada Limited and Canada Permanent Trust Company as trustee. On and after the Redemption Date, a bolder of Notes may present as to tender such Notes for redemption by delivering the Notes together with all unpushmed Coupons partialing therein to the Paying Agent at any of its addresses listed below:

PRINCIPAL PAYING AGENT Bank of America International S.A., 35 Boulevard Royal, Case Postale 435 membeurg, Grand Duche de Luxembou

PAYING AGENTS Bank of America Puris Branch 43-47 Avenue de la Grande Armee 75782 Paris Cedex 16, France

Benk of America Antwerp Branch 34 Van Pycklei B-2018 Antwerp On the Redemption Date, subject to the proper presentation and surrender of a Note or Notes together with all unmatured Coupons pertaining thereto, the holder of such Note (s) shall be entitled to receive an amount equal to 101.5% of the principal amount thoroof together with accrued and unpuid interest on the principal amount of the Note(s) to but not including the Redemption Date of U.S.\$147.50 per U.S.\$1,000 principal amount of Notes being the amount of Notes being the amount of Notes he will be amount of Notes and Section of the regular interest payment due April 1, 1989 (collectively, the "Redemption Amount").

OAYED at Toronto, Ontario the 17 day of February, 1989.

SPONSORED SECURITIES

10.0 185 Ass. Brit. Ind. Ordinary . 186 Ass. Brit. Ind. Culs ...... 33 33 306 186 Ass. Brir. Ind. Cels
42 25 Armitzige and Rhodes
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119 287 245 Minitiabage NY (AmstSE) 7.1 46 18 263 63 -43 7.9 4.4 39 13.7 9.4 32 82 13.7 110 0 3.3 28 133 245 Multibouse NV (ArestSE) . 40 Robert Jenkins ...... 119 40 standard | 272 | 272 | 280 194 Torday & Carlisle | 272 | 280 194 Torday & Carlisle | 272 | 286 100 Torday & Carlisle (DON PTS | 106 | 106 | 107 | 107 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 7.5 3.5 7.5 25 36.7 28 132 10.7 2.7 8.0 10.1 -3.0 9.9 7.4 98 56 Traylas Holdings (USH)
113 100 Unisuru. Europe Coar Pref
371 350 Veterinary Drug Co. Pic
367 203 W.S Yeates

Securities designated (SE) and IUSNA) are dealt in subject to the roles and regulative

These Securities are dealt in strictly on a matched burgain back. Reither Grannille & Co Grandle & Co. Linind. 3 Lond Lase, London ECSR 88P Teliphon 91-421 1212 Member of TSA

\$ Love Line, London BCIR MP Telephone 91-621 1212 ber of the Stock Exchange & TSA

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NOTICE . INCO INCO LIMITED **Dividend Notice** 

COMPANY

Secies & Preferred Shares A quarterly dividend of 7.85% per annum per share has been declared psychic Merch 1, 1989 to shareholders of record as of uary 22, 1989. Series C Preferred Shares

A quarterly dividend of \$0.625 per share in Canadian funds has been declared payable May 1, 1988 to shareholders of record as of Common Shares

Common Shares
A quarterly dividend of 20 cents per share in
U.S. funds has been declared payable on
March 20, 1989 to shareholders of record
as of February 24, 1989. Under the Company's Optional Stock Dividend Program,
the dividend is also payable in Common
Shares, Isaued at their market value to those
shareholders who elect by March 6, 1989 to
receive stock dividends in fley of cests.
Comiss of the programments for the Receives Copies of the prospectus for the Programmy be obtained by writing to Shareholder Savices, Office of the Secretary, at P.O. Box 44, Royal Rust Tower, Toxonto, Ontario MSK 1N4.

By order of the Board of Directors S.M. Hand, Secretary Toronto, Ontario 15 February, 1969

> CONTRENTAL (BERMUDA) LIMITED US\$250,088,088 Piceting Rate Notes due 1905 renied by Hungarian Foreign Trade Back Ltd.

Notice is hereby given that for the interest Period 21st February, 1989 to 22nd May, 1989, a period of 90 days, the Rate of interest will be 10.00 per cent per armen. The interest Amount psyable on the interest Psyment Date 22nd May, 1969 will be US\$6.250 for

♦ How much did the property sector raise in the capital markets in 1988?

♦ What financing techniques are available and how do they work?

♦ Unitisation and securitisation - are they the future? ♦ How indebted is the property sector?

FINANCING PROPERTY' has the answers

For information on this new report, contact Siobhan Pandya



Savilla Financial Services Limited Member of the Securities Association

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#### **UK COMPANY NEWS**

Growth slows as competition from Mercury and economy bite

# BT up to £623m in third quarter

By Hugo Dixon

1

BRITISH TELECOM'S pre-tax profits reached £623m in the three months to the end of December 1988, a 7 per cent increase on the 1982m of the comparable period in 1987.

The results, reported yester-day, represent a slight slowing down for the company, which has been showing growth of about 10 per cent on a year-on-year basis in recent quarters. Competition from Mercury

Communications, BT's only mainstream rival, and a marginally less buoyant economy were mentioned as possible explanations for the slowdown. However, BT said that last year's stockmarket crash and hurricane could also have dis-torted the figures, and it would he wrong to read too much into single quarter.
Turnover in the period

increased almost 8 per cent to £2.79bn (£2.59bn). This was mainly on the back of contin-ued growth in both interna-tional and inland traffic. More customers were also added to the company's network, bring-ing the total number of lines to 23.7m. Revenues from "other sales

and services" - principally private circuits and mobile telecommunications — were 200m (2561m). BT refused to give figures for Cellnet, its

majority-owned cellular subsidiary, and would only say that profits were growing rapidly. Operating costs in the quarter increased 7.6 per cent to \$2.09bn, as staff numbers grew by 1,200. However, Mr Graeme Odgers, BT's managing director, said that staff numbers would be static in the foresee able future, following a period in which they have grown in order to improve the compa-

ny's quality of service.

Mr Odgers added that quality of service would continue to improve as a result of productivity improvements.

network led to a 32 per cent

Share price relative to the FT-A All-share Index increase in capital expendibure for the quarter to £775m (£587m). About 4.5m of BT's telephone lines have so far been digitalised, and a further 4m will be digitalised each year until the mid-1990s.

**British Telecom** 

The quarter's results were achieved during a period when most of BT's prices were frozen. Mr Odgers said the company was considering what changes should be made to 1985 86 87 inquiries - which cost BT prices, when the freeze comes £160m a year, but are now proto an end in August, but that no final decisions had been vided free. Profit after tax increased to £402m (£371m) and earnings per share were up almost 10 per cent at 6.6p (6p).

Confrontation expected

at March board meeting

However, he did say that in due course it would be fairer to charge for calls to directory

#### Erskine to raise \$35m via issue to Pru of US

By Andrew Hill

ERSKINE HOUSE Group, the acquisitive distributor of facsimila and photocopying machines, is to raise \$35m (219.85m) through an issue of long-term debt to Pradential Insurance Company of the US.

The UK company has been expanding rapidly in the US

and the move is almed at reducing short-term dollar borrowings and funding fur-ther acquisitions.

Prudential is to subscribe

for \$35m of guaranteed senior notes in Erskine Holdings, the notes in Erskine honology, the UK group's holding company in the US. The notes will have a 10-year average life and carry a fixed gross coupon of

10.7 per cent.
Attached warrants will give
Prudential rights ovar 2m Prudential rights ovar 2m ordinary shares in Erskine House – about 4 per cent of the company's eularged equity – at 300p 2 share, compared with yesterday's closing price of 226p, up 5p.

Mr Briau McGillivray, Erskine's chairman, said yesterday: "We wanted to get a significant US institution."

significant US institution involved. The Prudential was prepared to take a moderately optimistic view of the share price and provide long-term money, It's a very useful slug of cash to have available for

the next 10 years."
In the last two years, Erskine has invested over \$89m in the US, huying 12 office equipment businesses. At the same time it has pursued an aggressive acquisition policy in the UK, and has recently expanded into West

Germany.

The private placement was arranged by Wertheim Schroder & Company, the US investment banking arm of Schroders.

#### Jos assets rise

Jos Holdings, an investment trust, reported a net asset value of 168.3p per share at end-January, up from 146.9p a year earlier.

The interim dividend is 1p (0.84p adjusted for the scrip issne in Angust Angnst

## Minorco balked by time limits over any new Gold Fields bid

By Kenneth Gooding, Mining Correspondent

MINORCO, the South Africancontrolled investment group, will almost certainly have to ask the Takeover Panel for more time to make up its mind whether to bid again for Con-solidated Gold Fields, the UK

diversified mining group. Under the terms of the Take-over Code, Minorco normally would have to make another offer by next Thursday or wait until September – the first anniversary of its previous £2.9bn hostile bid for Gold

The major stumbling block for Minorco is the injunction imposed by a New York court in October which prevents it taking its holding in Gold Fields above the current 30 per

Minorco is waiting to hear the outcome of its appeal in the US. If the injunction remains in place, Minorco could bid again but would not be able to declare any offer for

Gold Fields unconditional. The New York appeal court judge is fully aware of the time-limit Minorco faces in the UK but so far has given no indication that he will take this into account or even when he will give his judgment.

Minorco has substantial assets in the US which might be sequestered if it defled the

court ruling.
Both sides have talked to the Takeover Panel recently -Minorco on Wednesday and Gold Fields yesterday – but it is understood that so far Minorco has not asked for an

Gold Fields said it would agree to an extension but would urge that, in return, the Panel should press Minorco to make a clear statement about its intention to bid sgain.

Minorco is also awaiting the outcome of the European Com-mission's informal inquiry into Gold Fields' complaints that a merger of the two groups would result in a monopoly in platinum production.

A commission official said yesterday that the decision would be announced "in the next few days, certainly by Thursday next week.".

The commission's decision is not expected to prevent Minorco bidding again for Gold Fields as it will either suggest that the complaint has no validity or that it needs further, more formal, investiga-

Until the commission and the US court results are known, Minorco sees little point in calling the board meeting at which it will decide whether to bid again.

#### Herrburger Brooks

Herrburger Brooks, a manufacturer of piano actions, keys and hammers, reported pre-tax profits up from £5,119 to £11,720 in the half-year to November 30.

Turnover declined slighty to £3.47m (£3.52m). Earnings per share worked through at 0.58p against 0.25p last time.

#### extension to the time allowed. **DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	corres - ponding dividend	for year	Total last year
Bank Leurai (UK)fin	9.411		8.5	13.5	12.4
BPfin	8.511	May 25	8	13.5	12.5
Charterhallint	11	Apr 22	-	-	12
Crest Nicholsonfin	4.65	Apr 14	3.7	7.15	5.7
Dwners Abroadfin	1.75†	May 2	2.1	2.35	2.1
hoto-me intiInt	1.2	Apr 7	0.6	-	3
tiver Merc Gearint	1.24	Mar 3	1.1	-	5.5
liver & More Tattin	2.35	Apr 7	1.77	6.55	5.67
full-una (m. Tat Ga	9 20		OOF		20

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue, \*On capital increased by rights and/or acquisition issues, \$USM stock, \$SUnquoted stock, \$Third market, \*Third Interim, \*Cash option in fleu of scrip, \*\*TCarries scrip

# Bid approach for Jacksons

1

The same of the sa

JACKSONS BOURNE End, a erty developer and shoe compo-nents manufacturer controlled by Mr James Gulliver and asso-ciates, has received an approach which could lead to a bid.

Jacksons' shares jumped from 117p to 153p on the news, capitalising the company at £11.9m. No-one at the company or at Mr Gulliver's offices was available for further comment

Piccadilly Radio, the Manches-

ter-based radio station, contin-

ned yesterday with arguments centring on Miss World's plans

to create a radio equivalent of the Granada TV region in the north west, writes Philip Cog-

Miss World, which owns the Red Rose radio stations as well

as the beauty contest, has

made a £35m bid for Piccadilly.

It wants to link Red Rose's

yesterday.

Mr Gulliver, who has a personal 10 per cent stake in the company, and his business associates took control of Jacksons in January last year by purchasing a 50 per cent stake from Bugge Kindoms. a Norwegian property devel-

oper. Select Country Hotels, a pri-vate company controlled by Mr Gulliver, subsequently took a further 14 per cent. The price

and the Liverpool-based Radio City in a regional sales and marketing initiative.

- However, MSB, a media sales

paid on hoth occasions was the equivalent of 111p per

share. Mr Gulliver intends to turn the company into a broadly based leisure company, but so far no move has been made in that direction.

Last September, the company announced interim pre-tax profits down from £301,000

For Miss World, Mr Michael Connolly, finance director, pointed out that Sound Advertising Sales, the MSB subsidiary which sells radio artime, was 26 per cent owned by Piccadilly Piccadilly was also a major customer of SAS.

group, yesterday cast doubts on the plan. Analysis over the last two years reveals that non-regionalised selling had outperformed combined regional marketing. "Clearly," it said, "any move to incorpo-rate Picradilly into a regional Piccadilly shareholders meet rate Piccadilly into a regional north west market will not on Monday to vote on a merger with Midlands Radio.
Miss World has made its bid. enhance national revenue for dependent on it being rejected.

#### Preston station, with Piccadilly the region but simply redistrib-

Viking Resources Trust, the lvory & Sime-managed invest-

offer price was increased from ment trust, has accepted a revised takeover offer from Aviva Petroleum, the oil and gas investment company, - Aviva owns 15.2 per cent of writes Ray Bashford.

Viking accepts revised Aviva offer of £23.2m Approval was won after the a further 19.2 per cent. Earlier this month Viking firmly rejected the first offer, but Mr William Menzies-Wilson, chairman, said yesterday that the revised bid was a

## A CONFRONTATION is today expected at March, the loss-making racing car group, following a meeting between Mr Akira Akagi and the rest of the board, led by Mr John Cowen. It is expected to climax a mach in the second of the

stood at a conservative 112p

return into private hands, have been rudely shattered. March shares remained suspended last night. Trading was first halted, at 50p, on Miss World's plan for Piccadilly

> At that time, the market expected the move simply to herald a takeover, previously agreed in January, from Mr Akagi's Leyton House indus-trial property group, which already owns a 20 per cent stake. Leyton House is princi-ple sponsor to the March grand prix racing team.

week in which axpectations that March - traded on the USM for the last two years -

was about to make an orderly

On Wednesday, however, March announced that Mr Akagi had withdrawn his 50p per share cash offer for the remaining 38.5 per cent of March not in the control of founder Mr Robin Herd. At today's meeting, Mr

Akagi is expected to claim that he withdrew his offer because he was not informed of certain transactions which would have affected his own decision to proceed with the offer. Last night, however, Mr

that the deal was off was postponed following discussions with Barclays de Zoete Wedd, then brokers to

The representatives said that Mr Akagi had subsequently received notice that BZW had resigned as March's brokers on Monday night, a few hours after trading was suspended. Mr Cowen, who is also chair-man of United Industries, and

Akagi's representatives dis-closed that his offer had been withdrawn last Friday, imme-

diately after Mr Akagi claimed

to have become aware of "new information" about March's

According to the representa

tives, a formal announcement

other members of the March board will today be asked by Mr Akagi to discuss the immediate financial needs of March and its current financial situa-

While this indicates that Ma Akagi may be reconsidering his decision to withdraw from a takeover, he may not get the

On Wednesday, the rest of the board indicated that talks with banks and other financial institutions had raised hopes that they might be able to re-flnance March without losing its independence.

# Reuters Holdings PLC

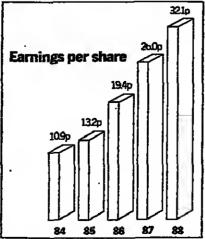
# **Continuing strong performance**

■ Revenue up 15.7% ■ Pre-tax profit up 20.5% ■ Earnings per share up 23.3%

31 Dece	mber 1988	31 Dece	Difference	
1,003.3	1,815.9	866.9	1,569.0	+15.7
215.4	389.8	178.8	323.5	+20.5
81.2	147.0	69.2	125.1	+17.4
134.2	242.8	109.6	198.4	+22.4
37.3	67.4	30.7	55.6	+21.3
32.1p	(\$1.74)	26.0p	(\$1.41)	+23.3
	1,003.3 215.4 81.2 134.2 37.3	1,003.3 1,815.9 215.4 389.8 81.2 147.0 134.2 242.8 37.3 67.4	Year to Year to Ye 31 December 1988 31 December 1988 2m USSm 2m 1,003.3 1,815.9 866.9 215.4 389.8 178.8 81.2 147.0 69.2 134.2 242.8 109.6 37.3 67.4 30.7	31 December 1988 Sm USSm Em USSm 1,003.3 1,815.9 866.9 1,569.0 215.4 389.8 178.8 323.5 81.2 147.0 69.2 125.1 134.2 242.8 109.6 198.4 37.3 67.4 30.7 55.6

Reuters unaudited pre-tax profit rose by 20.5% to \$215.4 million (US\$389.8 million) in the year ended 31 December 1988. The pre-tax profit was before an extraordinary item of £7.3 million (US\$13.3 million) covering the cost of stopping operations in the course of 1989 at Reuters US manufacturing subsidiary, IDR Inc., but after absorbing around £8 million (US\$14.5 million) of miscellaneous rationalisation costs elsewhere in the group.

The Board has recommended a final dividend of 6.2 pence per share against 5.0 pence in 1987, an increase of 24.0%,



8669 Revenue (£ million) 6209

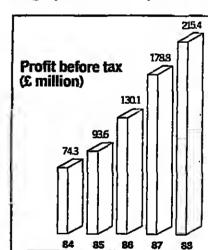
making the total for the year 9.0 pence, up 23.3%. The dividend will be paid on 2 May to shareholders on the register at 31 March 1989.

Glen Renfrew, Managing Director and Chief Executive, said Reuters continued to enjoy healthy profit growth despite the problems of world financial markets in 1988.

He continued: "Gross new orders for core information and dealing products remained near record levels and large numbers of new subscribers were signed up. On the other hand, cancellations were heavy. Net new orders,

s Holdings PLC, 85 Fleet Street, London EC4P 4AJ. Telephone: 01-250 1122

REUTERS HOLDINGS PLC



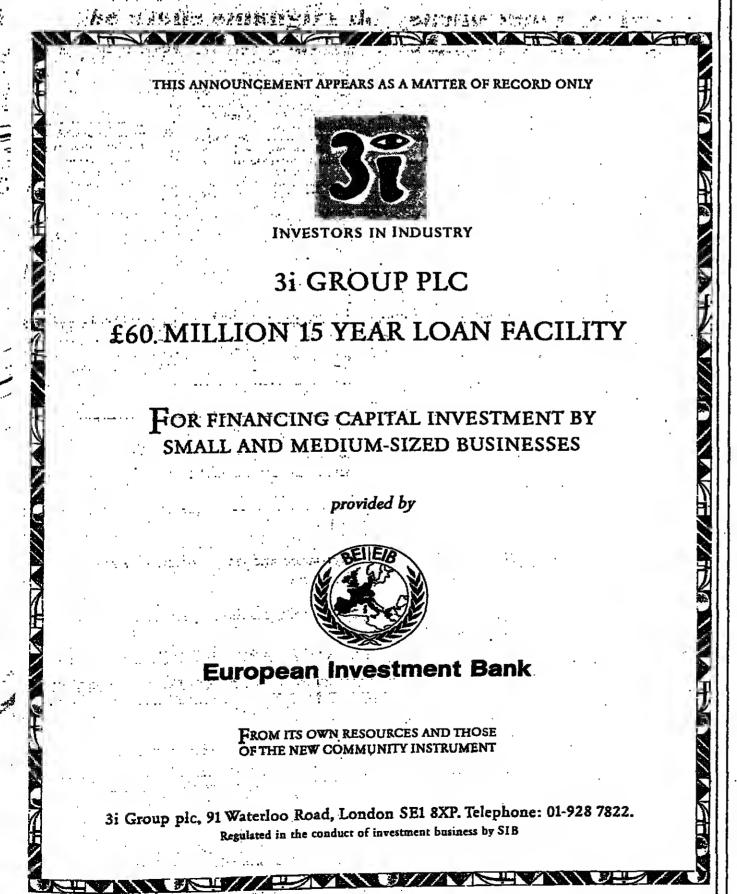
after cancellations, remained below the peaks of 1987 throughout the year. but high enough to produce good revenue growth.

"New orders for trading room systems were depressed for most of the year but there was a partial recovery in the final quarter. PRISM, a new colour video switch for smaller trading rooms, was an instant success.

"In 1988, attention was focused on a number of immediate business priorities which remain paramount. They are to increase market share, improve margins, contain capital spending, boost cash generation and accelerate development of the most important new products.

He added: "Gross new orders for Reuter products remain strong and, although cancellations are still heavy, the net new order rate is high enough to generate continued good growth. We expect benefits from last year's rationalisation programme and several major new products are due to start earning revenue in the second half of this year. Barring additional major setbacks for financial markets or substantial further strengthening of sterling, Reuters should continue to do well,"





#### **COMMODITIES AND AGRICULTURE**

# Exxon chairman bullish on oil for early 1990s

MR LARRY RAWL, chairman of Exxon, the US-based international oil group, yesterday took a relatively bullish view on the outlook for oil prices, in which he expected substantial price rises early in the next decade. Mr Rawl, epeaking at an Institute of Petroleum lun-cheon in London, said be expected that oil prices would remain weak and volatile in the next few years but that by 1992 or 1993, the Organisation of Petroleum Exporting Countries would regain control over world oil markets and push

prices higher.

Mr Rewl's view contraste
sbarply with those recently expressed by senior executives of the Royal Dutch/Shell group, which tend to be more

Mr John Jennings, group managing director, has said that oil prices were unlikely to rise in nominal terms until after 1995. Shell and Exxon are the world's two largest private sector oil companies. The differing views appar-

ently stem from varying expec-tations on the ability of non-Opec producers to make up for expected declines in US pro-

duction that are leading to a rapid increase in US oil imports.

Mr Rawl said that many projections for non-Opec produc-tion were excessively optimistic because in the weak oil price environment of recent years, fields had not been

prices continue to be weak

age of supply.

Mr Rawl denied that the
US\$4.15bn acquisition of the
Canadian assets of Texaco by Imperial Oil, an Exxon subsidiary, represented any change in Exxon's attitude toward acquisitions. He said that between 1986 and 1988 Exxon had spent \$4bn in a series of relatively small acquisitions that had brought a 1bn barrels

of oil to the company
He said Exxon had carefully
studied all assets that had come up for sale and had put in unsuccessful bids in a number of cases.

"We have a strong balance sheet," he said. "It is just a question of price."

# tackle agricultural fraud

By Tim Dickson in Brussels

A FURTHER sign that the problem of agricultural sub-sldy fraud is at last being taken seriously by the European Community emerged in Brussels yesterday with the publication of what could at least be described as a firm statement of intent from the European Commission.
While giving little detail of

what it has in mind, the Com-mission said it "intends to pur-sue" the fight against frand and to "step up its efforts" in this area with the active help of other EC institutions and the member states. Mr Jacques Delors, the Com-

mission President, and Mr Ray MacSharry, the new Agricul-ture Commissioner, had already shown their commitment to action, while recent reports from the ECs Court of Auditors highlighting waste in the storage of food surpluses and widespread abuse of beef export payments were being analysed with a view to recommendations being made.

The Commission's latest week's stirring of interest in the EC Council of Farm Ministers - could be significant. given its previously somewhat

maintained properly.

This meant that should oil

much of this production would not be realised. He said there was no question of any short-

# Commission intends to

cisms of the court. While again stressing the primary responsi-bility of member states for curtailing irregularities, the Commission yesterday stressed the important role it can play in "encouragement, co-ordination and control." Brussels "intends to pursue this role with all the means and force at its dis-

The Conrt of Anditors deserves much of the credit for highlighting the apparently growing scandal of Common Agricultural Policy fraud. Its two reports in October and December not only inspired plenty of good knockabout copy (chicken scraps being passed off as beef, for example) but carefully documented a large number of cases which, put together, could not be

Though an official admitted

that the scale of the problem "is probably much greater," he said that the only figures which could be reliably quoted were those provided for the Commission by member states. On average over the last eight years the amount of detected and reported fraud was equivalent to 0.18 per cent of the EC's agricultural budget - roughly Ecu 27bn (£17.25bn) this year.

COCOA Enonne

#### Denmark in campaign to control salmonella

By Hilary Barnes in Copenhagen

DENMARK'S VETERINARY Directorate and the country's poultry industry are co-operat-ing in a campaign to control the spread of salmonella bac-

The campaign has followed an increased incidence of human salmonella poisoning, with the number of cases reported by GPs rising from about 1,000 a year in 1984 to about 3,000 last year

Ms Mette Warming, a veterinary inspector, said the situa-tion was not alarming and neither was there a simple explanation for the increase. But as the main sources of the infection are eggs and poultry meat, every effort is being made to limit the spread of sal-monella from those sources. However, screening of poul-

try has so far failed to reveal any signs of salmonella sick-ness in the birds themselves, she said. Suppliers of chicken feed are

now using heating and cooling procedures in the preparation of feed pellets, in order to ensure that the bacteria are not introduced with feed. Otherwise the directorate's main effort is going into a campaign to emphasise the need for good hygiene at every step from the preparation of feed to the care of poultry, slaughtering, and the preparation of food in the home, said Ms Warming. Denmark used to be a major

egg exporter, but overseas sales last year were worth only about DKr16m (£1.25m) out of total egg production worth about DKr550m.

#### Jamaica to resume banana shipments

By Canute James

SHIPMENTS OF Jamaican bananas to Britain, which were interrupted when the island was hit by a hurricane in September last year, are to he resumed at the end of next month, according to the island's Banana Export Company.

The company said small ini-

tial shipments will be followed by regular exports, reaching 2,000 tonnes of fruit per week by July, with total exports for this year projected to reach between 40,000 tonnes and 45,000 tonnes.

The industry had been hoping to ship about 50,000 tonnes to Britain last year, after exports of 34,000 tonnes in 1987. But the storm destroyed all the island's banana plantations, limiting last year's exports to 28,500 tonnes.

LORDON METAL EXCHANGE

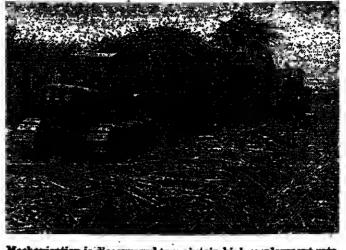
# Ex-King Sugar causes Caribbean dilemma

Canute James studies the decline of a once-great export industry

when King Sugar ruled the economies of the Caribbean. That it no longer does has left many countries in the region with a dilemma, With shrinking guaranteed markets, such as in the US, and with production costs running higher than world market prices, sugar has becoma uneconomical in many parts of the region — but it still pro-vides vital hard currency earn-ings and much needed employ-

Efforts at diversification have had moderate results so far. In the Dominican Republic, the region's major producer after Cuba, the State Sugar Council, faced with bankrupicy, has been selling former cane fields to investors who are developing industrial parks and tourism resorts. Production has fellen by shout 40 per tion has fallen by about 40 per cent over the past eight years. Similar changes are under way in Trinidad and Tobago and Guyana where other forms of agriculture are being encouraged, and in Jamaica which is attempting to use a part of the sugar sector to pro-vide feedstock for a fledgling ethanol industry.

The guaranteed markets which some producers have in the US and the European Community provide hard currency to shore up limited foreign earnings. This is one reason why many governments are persevering with an industry which, on purely economic grounds, is not viable. Another is the fact that, in a region where unemployment averages over 20 per cent, labour inten-sive sugar absorbs bundreds of thousands who could not be



Mechanisation is discouraged to maintain high employment rate

employed in the ventures which can replace sugar production.

This is contributing to the poor economic condition of the industry. To maintain a high rate of employment, govern-ments have stood firmly against widespread mechanisa-tion which would improve the viability of the industry.

Not surprisingly, there are frequent questions about the wisdom of staying with the industry in the hope of higher

world market prices and con-tinuing protected markets. In a current battle of words in Jamaica the first salvo was fired from outside the industry.
In the sugar industry,
which provides 80,000 persons with direct and indirect employment, we have a crop which occupies the most effi-cient and fertile agricultural land in Jamaica," said Mr Dennis Lalor, chief executive of the ICWI Group, a financial ser-

"Our eugar production goes to a market dependent on polit-ical considerations. It goes to the European market based on an agreement, while European production of beet sugar is far in excess of demand. So in reality, the Europeans are doing Jamaica a favour Strategically that is a very invidious position to be in."

Admitting that it would be difficult for Jamaica to get out of sugar overnight, Mr Lalor-argued in favour of diversification to other forms of agricul-ture "which, while fulfilling some of our domestic needs, would be in demand in the United States, Europe and other world markets."

The industry has reponded predictably with a stout

130,000 tonnes to the EC, and defence. Mr Christopher Bovcan fins year sell 12,500 tonnes to the US. Industry officials say local demand averages defence. Mr Christophes ell, chairman of the Sugar Manufacturing Corporation of Jamaica, said the industry had slipped from producing 506,348 shoped from protecting over of tonnes in 1965 to a low of 187,964 in 1987. He argued, however, for continued support for the industry on the hasis that it is the largest earner of

first it is the largest earlier of foreign exchange in the agricultural sector and the third largest in the total economy, behind tourism and bauxite.

"In 1987, the foreign exchange earned from sugar was approximately US\$70m, and the revenue from local color approximately IS\$2m. sales approximately J\$128m (US\$23.25m). Mr Bovell said.
"Not only does sugar contrib-ute significantly to the national purse, but it is, nextto the civil service, the largest employer of labour in this country."

Arguing that most trade in commodities is based on agreements, Mr Bovell suggested there were few other agricul-tural ventures which could provide the foreign earnings that the sugar industry was getting Although in global terms Jamaica's production is small, there is room for increased production in the island, Mr Bovell szid.

But there is no apparent economic basis for producing more. While meeting its guaranteed shipments to the EC and its dwindling access to the US market, the Jamaican industry in recent years has had to import sugar to meet domestic demand. Mr Frank Downie, chairman of the Sugar Industry Authority, said the current harvest was expected to yield 221,000 tonnes. The island ships an average of

100,000 formes per year.

"Jamaka will be able to produce more sugar when we have reduced the cost of production of what we sell on the world market," said Mr Downie. "The

world market price is 10 to 11 US cents per lb. The produc-tion cost in Jamaica is 19.5 cents per lh. We should be aiming at a production cost of between 12 cents and 15 cents per pound, and if we achieve this we could produce more."

The basis for this hope of reducing production costs is what Mr Downie said was an what Mr Downie said was an improvement in the industry's finances over the past five years, helped by the prices paid by the EC. The island'e mills are being upgraded with a loan of \$18m obtained by the Government. "The industry has not been incruring a loss." has not been incurring a loss, Mr Downie said.

Mr Downie said.

Because of the foreign earnings from sugar and the number of people it employs, the Government has supported the industry — and that support is likely to continue.

Befere his general election victory last week Mr Michael Manley, now Prime Minister, said: "I know that there have been times when the industry has suffered from extreme loss

has suffered from extreme loss of confidence. There have been times when there were great donbts about whether the industry should be pursued and developed. It is time that these be laid to rest once and for all. We should proceed as quickly as possible to get the industry to the required minimum level of production."

#### Sharp price rise catches tin consumers off guard

**WORLD COMMODITIES PRICES** 

(Prices supplied by Amalgameted Metal Trading) AM Official Kerb close

By Kenneth Gooding, Mining Correspondent TIN CONSUMERS have been March 1987

caught off guard by the sharp rise in the metal's price in recent days. Tin for immediate delivery was traded at nearly \$8,000 a tonne on the European free market yesterday, \$75 a tonne above the price on Wednesday afternoon and the highest level since March 1966. Some traders predicted the price was on its way to \$8,500 a tonne.

However, Paranapanema of Brazil, the world's largest tin producer which accounts for about 13 per cent of world tin production, said recently it would counter any sharp price rise by selling metal from its stocks. It said it would prefer reasonably stable world prices. Traders said there had been

which reflected a steady fall in world stocks since the Associa-tion of Tin Producing Countries (ATPC) implemented a supply rationalisation plan in remain plentiful and cheap.

But Brazil is not a member of the ATPC so Paranapanema is not bound by this constraint on output.

According to the Commodities Research Unit, the London-based consultancy, Brazil's average tin production cost is about £3,000 a tonne compared with the sterling price of just over £4,505 quoted for spot metal on the European free market yesterday, up from £4,650 m Wednesday.

Traders said another factor fueling the price was that sales of tin from stocks taken over by the banks after the collapse of the International Tin Council into insolvency in 1985 are They said consumers were

prices but some steel mills had no choice as they were operat-ing with very low stocks in the expectation that tin would

#### Brazilian sugar sales announced Sy John Barham

in Sao Paulo BRAZIL'S SUGAR and Alcohol

Institute has announced its first major export contract of the year. Mr Araripe Serpa, the institute's president, said this week that Portugal, Bulgaria week that Portugal, Bulgaria and Czechoslovakia have each bought 100,000 tonnes of Brazil-ian sugar. The consignments are to be delivered by May. Mr Serpa said Brazil's exports were likely to fall sharply this year. He said that

sharply this year. He said that two years of very dry weather had reduced harvests in the north-east, the only region to produce sugar for export. The institute, which handles all Brazil's sugar exports, usu-ally ships about 1.5m tunies a year. No official forecasts will be available for this year's exports until the north eastern

Mr Serpa added that Brazil would honour fully all existing export contracts. It also intended to take up its entire

US import quota.

**US MARKETS** 

PRICES REMAINED relatively

unchanged in the gold, silver and n markets as many await

Fridays US trade data, reports Drexel

the most active metal as it gained 185

market led to this erractic rally. In the softs, sugar futures advanced 37 basis

stops above 1105 also helped the rally.
Cocoa prices fell on commission house
and speculative liquidation. Some

arbitrage selling was also noted. In the meats, cattle prices were firm ahead of

the grains, the soy complex was under pressure from a Brazilian report about

bean production. Wheat prices allipped

on no fresh news. Corn trading was

featureless despite a strong c market the energy complex featured tone seen throughout the day.

the cattle on feed report. Pork belli

gained on short-covering and the steady cattle futures. Live hogs had mixed trading. Cotton prices were lower on scattered long liquidation. In

#### metals futures markets THE JAPANESE Ministry of tural production. The newspaper said the mar-

Japan studies plan for

International Trade and Indus-try (MITI) has commissioned a feasibility study into the possi-bility of establishing non-fer-rous metals futures markets in Japan, reports Reuter from

Tokyo.

A MITI official said the ministry had asked the Commodi-ties Research Unit, a private British research company, to undertake the study, its report is expected to be submitted in April, he said.

The study will include a sur-

vey of whether overseas trad-ers would be interested in using such exchanges in Japan, he added, Other details are unknown.

The only metal futures now

traded in Japan are gold, ailver and platinum. People's Daily said the Chinese Government had decided to set

up futures markets in at least

four areas in an attempt to end

wide fluctuations in agricul-

kets, to be set up in Jilin, Sichuan and Henan provinces and the central city of Wuhan, would trade in maize, wheat, cotton, silk, ramie (a coarse textile fibre), rabbit wool and live pigs, as well as steel mate-

By giving farmers a known price for their crops, the markets should help stabilise output and reduce the rising subsidies the Government has to pay because of the fluctua-tions, the paper said. It gave no more details

nore details.

• Investment in the Chinese gold industry this year will be unaffected by an austerity programme, according to Xn Daquan, director of the State trol. It will increase by 10 per cent over the 1988 level and be subject to preferential policies. he was quoted as saying in the Peking Evening News.

#### **LONDON MARKETS** RUMOURS THAT Zaire might soon

copper ehipments boosted values of the metal on the London Metal Exchange vesterday afternoon. The cash grade A price closed £32 higher at C1 688 a tonne but that was still £76.50 below the level at the end of last week. Meanwhile zinc bounced back following Wednesday's setback The cash high grade price rose \$31 to close at a fresh record of \$1,965 a tonne as labour problems in Peru and Finland etrengthened sentiment egainst a continuing tight supply background. Lead lost further ground as the market'e tona continued to be effected by the effects of the mild porthern hemisphere winter on car bettery demand. Cocoa futures saw six-week highs around midday but ther fell sharply as producers were tempted into the market.

SPOT MARKETS

Custo on Iber paries Lock		+ Or -
Dubai	214,05-4.20q	
Brent Blend	216.50-6.60z	
W.T.I.  1 pm est)	\$18.30-8.35z	+0.38
Oil products		
(NWE prompt delivery per i	Onne CIF)	+ or -
Premium Gasoline	2179-182	+1
Gas Oll	\$139-141	+412
Heavy Fuel Oil	<b>5</b> 71-73	+ 212
Naphtha	\$160-163	+2
Petroleum Argus Estimates		
Other		+ 07 -
Gold (per troy oz)	\$362.25	+0.25
Silver (per troy oz)	508c	+7
Platinum (per troy oz)	\$536.0	+ 10.5
Palladium (per troy oz)	\$140.25	+0.75
Aluminium (tree market)	\$2125	
Copper (US Producer)	131 %-138c	-53
Lead (US Producer)	38.5¢	_
Nickel (free market)	820c	-6
The [European free market]		+40
Tin (Kusia Lumpur market)		+0.12
Tin (New York)	364,5c	+0.5
Zinc  US Prime Western	89 %c	+ 30
Cattle (live weight)†	108.28p	-0.15
Sheep (dead weight)†	137.05p	+4.63*
Pigs (live weight)?	80.38p	-1.21*
London dally sugar (raw)	\$263.40	+1.4
London daily sugar (white)		+3.3
7ate and Lyle export prica		+ 1.5
Barley (English feed)	£114.02	-0.5
Maiza (US No. 3 yellow)	£132.8	+0.5
Wheat IUS Dark Northern)		-2
		<del></del>
Rubber (spot)	59,75p	+0.25
Rubber (Mar)♥	69.60p	+0.25
Rubber (Apr) 🎔	69,50p	+0.25
Rubber (KL RSS No 1 Mar)	311.0m	+0.5
Coconut oil (Philippines)§	\$530x	
Peim Otl (Malayslan)§	5392 52	

-23 c-cents/lb. r-ringgit/kg. z-Mar. w-Fab. v-Apr. May, u-Mar/Apr, g-Apr. x-Feb/Mar, 1Meet Comon Sverage fatstock prices. " change from week ego. \London physical market \$CIF 

Mar	223	879	803 852
May	873	900	903 871
Jul	870	898	900 869
50p	863	893	895 860
Dec	861	905	910 880
Mar	873	899	901 870
May	875	905	890 890
Turnov	er:7092 (1	(6143) lots (	f 10 tonnes
ICCO	Indicator	prices (SDF	te per tons
price f	or Feb 15	1162.52 (1	152,031:10
ene in	Feb 16:	1128.66 (113	21.121 -
	1 40 101	. 160.00 111	
COFFE	E C/tonne		
	Close	Previous	High/Low
Mar	1114	1105	1136 1110
Mar May	1114 1076	1105	
Ma7			1107 1075
Ma7 Jly	1076	1077	1136 1110 1107 1075 1065 1060 1069 1060
Ma7 Jiy Sep	1076 1060	1077	1107 1075 1085 1080 1069 1060
	1076 1060 1055	1077 1062 1045	1107 1075 1065 1060
Ma7 Jly Sep Nov Jen	1076 1060 1055 1048	1077 1082 1045 1055	1107 1075 1085 1080 1069 1060 1062 1060
Ma7 Jiy Sep Nov Jan Mar	1076 1060 1055 1048 1052 1055	1077 1062 1045 1055 1055 1055	1107 1075 1085 1080 1069 1060 1082 1050 1061 1080 1060
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May Jly Sep Nov Man Mar Turnov ICO in Feb 15	1076 1060 1055 1048 1052 1055 rer:4284 [4 dicator pa	1077 1062 1045 1055 1055 1056 403) lots of rices (US of daily 118.13	1107 1075 1065 1060 1069 1060 1062 1060 1061 1060 1060 5 tormes ents per pe

Close Previous High/Low

Mar May Aug Oct Dec White	241.80 248.00 248.60 248.60 246.60 Close	230.60 240.00 240.60 236.46 233.00 Previous	High/Low 243.00 232.00 248.60 241.20 250.00 242.00 248.40 237.60 235.00 High/Low
May Aug Oct Dec White	248.00 248.80 248.60 246.00	240.00 240.60 236.46 233.00	249.60 241.20 250.00 242.00 248.40 237.60 235.00
Aug Oct Dec : White (	248.80 246.67 246.00 Close	240.60 236.40 233.00	250.00 242.00 248.40 237.60 235.00
Oct Dec White May	246.60 246.00 Glose	236.46 233.00	248.40 237.80 235.00
White May	246.00 Close	233.00	235.00
White (	Close		
May :		Previous	High/Low
	204 50		
		284.00	295.00 206.00
	297.00	286.50	295.50 267.50
	206.00	278.00	281.50
	261.00	274.00	
Mar :	279.00	270.00	280.00 273.00
White 100 Paris- Wi	2   1677 uto (FF	). r per tonn	iots of 50 conn e): May 1840, A lar 1750, May 174

169 3 111 23 68 76

2600 2600	345 168	263 150	2 24	87 160
000	54	76	108	272
FRUIT AND	VEGTABLES			
	rhuberb is in			
30-50p a lb (3				
Chile and Ca				
20-30p each (	23-35p), repo		III. U	CLASS.
	main stable v			•
8-25p, grapefi	ruit 16-28p. pi	neapp	163	
8-25p, grapefi 50p-12.00 and	ruit 16-28p. pi bananas are	40-58	ies palb	
8-25p, grapefi 50p-22.00 and Courgaites at	ruit 16-28p. pi I bananas are 'a more widel	40-58 y avai	ies palb lable	
8-25p, grapefi 50p-12.00 and Courgattes at 80p-£1.25 (90)	ruit 16-28p. pi l bananas are la moro widel p-£1.35), as au	40-58 y avai	ies palb lable liflowe	era
6-25p, grapet 50p-12.00 and Courgaites at 80p-£1.25 (90) 30-60p each ( new in at £1.0	ruit 16-28p, pir l banenes are re more widel p-£1.35), as au 40-65p), Pees 10-1.25 a ib, w	40-68 y avai re cau from thise ca	ies p a lb. lable liflowe Egypt alabre	818 818
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8-25p, grapeti 50p-22.00 and Courgattes at 80p-21.25 (90) 30-60p each ( new in at 21.6 55-95p and po 12-16p at the Cucumbers at	ruit 16-28p, pi I bananas are re more widel o-£1.35), as au 40-65p). Peas 40-1.25 m ib, m piatos 8-12p same price au re in better su	40-58 y available caul from this caul for while caul apply 1	les p a lb. labin liflowe Egypt alabre line, r week this we	ers ere ese eds
8-25p, grapet 50p-22.00 and Courgattes at 80p-21.25 (90) 30-80p each ( new in at 21.6 55-95p and po 12-16p at the	ruit 16-28p, pi I bananas are 'e more widel 0-51.35), as au 40-65p). Peas 00-1.25 m lb, so tatoos 9-12p same price as re in better su 70p-£1.00), bu	top of to	les p a lb. labin liflowe Egypt alabre lies, r week this we puality	ers ere reds eek zi

iceberg lettuce are still 50-90p each, while celery is also unchanged at 50-85p a head

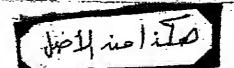
Alember	, 99.7% purk	A (g bat source)			Ring turn	Over 13,400 tonn
Cesh	2127-52	2125-30	2133/2130	2132-3		
3 months	2122-6	2120-2	2129/2110	2126-7	2125-30	25,410 lots
Copper, G	19q 2) A sbar	turne)			Ring Ium	over 33,450 tonn
Cash	1865-7	1833-6	1676/1676	1675-0		
S months	1581-2	1562-3	1596/1566	1506-7	1591-2	64,753 lots
Silver (US	cents/fine ou	nce)			Pling tu	mover 10,000 oz
Cash	581-4	573-0	584	584-5		
3 months	594-7	586-0		596-7		344 lots
Leed (£ pe	r tonne)				Ring tur	nover 8,025 tonn
Cash	345-7	348-60	350	349-50		
3 months	353-3.5	358.5-7.5	358/352	358-6.25	353-4	9,398 lots
Michal (5 p	er tonne)				Ring tu	mover 792 torm
Cash	18400-600	18350-450	18390/18250	16200-300		
3 months	18050-150	18050-100	15100/17700	17900-8800	18050-100	5,125 lots
Zinc, Spec	hai 155gh Grad	e (5 per torme)			Filing Burn	over 0,700 tons
Cash	2002-10	1960-90	2002	2000-6		
S months	1915-20	1895-900	1920/1866	1918-20	1910-5	4,704 lots
Zinc (5 per	tonne)				Ring turns	rver 15,425 tonn
Cash	1960-70	1933-5	1960-1965	1955-60		
3 months	1865-6	1840-5	1885-1845	1860-5	1857-60	11,591 lots

	Close	Previous	High/Low
ΨP*	63.4	65.3	65.0 62.9
JEY	77.0	78.3	78.0 78.5
VOV	89.0	89.0	
eb	100.0	101.0	*** - *** -
<u> </u>	129.0	129.0	129.5 128.5
Urnov	er 230  45	3) lots of 4	O tonnes.
BAYO		L Effonne	
	Close	Previous	High/Low
pr-	154.90	153.80	155.50 155.00
LITY .	149.50	148.50	150.00
ug	144.00	144.20	145,00
אסתיע	er 109 (45	lots of 20	tonnes.
REG	אטונים זו	ES Stornde	x point
	Close	Previous	High/Low
eb	1510	1520	1520 1510
ter	1580	1572	1590 1577
<b>Pr</b>	1628	1615	1830 1820
tol .	1442	1430	1457 1440
ct	1565	1560	1589 1560
NET)	1580	1580	1580
Dr.	1960	1515	1590
F	1499	1503	
ULUGA	r 475 (60	7)	
RANS	£/tonne		
Theat	Cicee	Previous	High/Low
lar	112.45	112.00	112.60 112.25
AHT.			116,30 116,10
	116.30	115.70	110.00 110.10
lay	116.30	115,70 117,40	
lay			
lay un	117.80	117.40	116.00 117.90 104.15
lay un sp	117.80	117.40 103.65	116.00 117.90 104.15
lay un lap lay	117.80 104.20 106.50	117.40 103.65 106.25	118.00 117.50 104.15 108.65 106.50 108.80
day lun lov lan lar	117.50 104.20 106.50 109.75	117.40 103.85 106.25 109.50	118.00 117.50 104.15 108.65 106.50 108.80
day lun lov lov lan lar	117.80 104.20 106.50 100.75 112.80 Close	117.40 103.85 106.25 109.50 112.85 Previous	116.00 117.90 104.15 108.65 106.50 109.80 112.85 112.60 High/Low
day tun top tor tan dar	117.80 104.20 106.50 100.75 112.80 Close 108.75	117.40 103.85 106.25 109.50 112.85 Previous	116.00 117.90 104.15 108.65 106.50 109.80 112.85 112.60 High/Low
lay un ep lov an lar lar	117.80 104.20 106.50 109.75 112.80 Close 168.75 111.35	117.40 103.85 106.25 109.50 112.85 Previous 108.35 110.95	118.00 117.90 104.15 108.65 106.50 109.80 112.85 112.80 High/Low 108.75 108.85
day kun isp iov ian Asr	117.80 104.20 106.50 100.75 112.80 Close 108.75	117.40 103.85 106.25 109.50 112.85 Previous	116.00 117.90 104.15 106.65 106.50 109.80 112.85 112.80

	2074		LENDON B	بالكلالا			
Close	Previous	High/Low	Gold (Time or			£ equivalent	
63.4	65.3	65.0 62.9	Close	382-30		2174-2174	
77.0	78.3	78.0 78.5	Opening	385 4		215-216-2	
89.0 100.0	89.0 101.0		Morning the	384.25		217.521	
129.0	129.0	129.5 128.5	Atternoon for Day's Night	385 2		216.784	
	453) lots of 4		Day's low	382-3			
	AL Effonne						
Close		High/Low	Coins	\$ pric	•	Inelavlupe 1	
154.90	153.80	155.50 185.00	Mapleleet	395-39		2217-2247	
149.50		150.00	Eritannia US Eagle	393-39		22112-22412	
144,00	144.20	145.00	_ Angel	393-39		221 12-224 12	
- 100 L	(5) lots of 20	torner	Krugerrand			215-217	
100 1	-07 100s Or 20	agrires.	New Sev.	90-81	-	50%-61%	
ענעק ד	RES Storinge	ex point	Old Sov.	90-91		50 4-51 2	
Close	Previous	High/Low	Noble Plat	540.5	548.5	306.55-311.7	
1510	1520	1520 1510					
1580	1572	1590 1577	Säver fix	-5		DO at a suit	
1628	1615	1630 1820		p/fine	w.	US cts equiv	
1442	1430	1457 1440	Spot	332.65		588.25	
1565	1560	1569 1560	3 मालाक्रीड	343.25		602.45	
1580	1580	1580	S months	353.85		617.25	
1550	1515	1590	12 months	374.05		647.80	
1499	1503		_				
r 476 (6	(37)		- CRUDE OIL	Prince 1			
£/tonne					2-4-		
Cicee	Previous	High/Low		Close	Previo		
112.45	112.00	112.60 112.25		15.82 15.42	15.61	15.96 15.77 15.80 15.40	
116.30		116.30 116.10		15.20	15.04	15.40	
117.80		116.00 117.90	IPE Inday		15.50	14AV	
104.20		104.15					
106.50		108.65 106.50	Turnover, 44	72 (130)	2)		
100.75		109.80					
112.90	112.85	112.85 112.60					
Close	Previous	High/Low	GAS OIL SA	HITE.			
				-			
108.75	108.35	108.75 108.55	Cio	50 P	evious	High/Low	
		108.75 108.55					
108.75	110.95 100.60	108.75 108.55 100.75		.00 13	8.00 3.50	140.25 197.50 138.00 185.25	

ON MARK	ET						
orice	£ equivalent	-					
372 2 217 4 -217 4 4-383 4 215-215 2 25 217.521 25 218.784		Ne	w Y	ork			
		GOLD 100 troy oz.; \$/troy oz.					
2-388			Cione	Previous	High/Low		•
38212		Feb	353.5	384.8	305.5	362.8	۰
		Mar	385.4	386.5 386.2	0	0	
rice	Inelavlupe 1	- Apr	391.8	393.8	388.9	365.0 389.1	
-398		Aug	397.2	398.3	368.9	396.2	
-396 -396	221 12-224 12 221 12-224 12	. Oct	402.7	403.8	403.6	402.7	
-396	221 2-224 2	Dec	405.2	409.3	410.0	406.8	
-395	221 2-224 2	Feb	363.6	304.5	385.5	382.8	
-984	215-217	Apr	419.4	420.5	0	8	
85 81	50%-61½ 50%-61Ъ	PLAT	MUM 50 t	roy oz, \$/bro	y oz.		
.5548.5	306.55-311.7		Close	Previous	High/Low		•
		Feb	535.0	598.2	6	0	•
		_ Mar	595.0	596.2	0	0	
ne oz	US cts equiv	Apr	535.0	536.2	541.0	534.1	
1.86	588.25	- Jul	684.0	535.2	536.0	534.0	
125	602.45	Oct	534.0	585.7	538.5	534.0	
.85	617.25	Jan	535.0 535.0	530.8	527.0	526.5	
.as	647.80	Apr		559.7	539.0	236.0	
		SELVE		oy oz. cente			
_			Close	Previous	High/Low	_	
rel		Feb	588.3	588.0	0	0	
B Previous	us High/Low	Mar	588.5	580.5	582.0	586.0	
15.61	15.96 15.77	_ Apr	564.6	595.6	0	0	
15.25	15.60 15.40	May	599.8 510.8	811.9	602.5 .613.0	.907.0	
15.04	15.40	Sep	. 621.3	622.4	622.5	636.0 618.5	
15.50	140.44	Dec	636.7	537.8	639.6	534.0	
		- Jen	641.2	636.4	0	0.	
302)		Mar	651.9	653.0	655.0	650.0	
		May	682.5	663.6	0	0	
			ER 25,000	ibe; cents/	bs	-	
Previous	High/Low		Ciose	Previous	High/Low		•
136.00		- Feb	T29.20	127,35	129.50	125.80	-
133.50	140.25 197.50	Mar	127.20	123.80	125.35	123.20	
132.53	138.00 185.25	Apr	123.60	122.00	0	0	
181.50	136.50 134.50 135.00 131.50	May	120.50	118.70	121.60	119.50	
139.50	134.50 133.50	Jut	115.00	114.50	116.80	115.40	
		Sep	113.30	110.50	114.03	111.50	
COOR LINES AN	100 tonnes	Dec	110.30	106.00	111.00	109.70	

	IS MARKETS		CRUDE OR. (Light) 42,000 US gails S/barrel				S/berrel**	Chicago					
ICES R	EMAINED	relative	y .	-	· Latent	Previous	High/Lo				,000 ba min	Otote MOR	humbat
	In the go			· Apr.	18.40 17.47	10.25	17.64	. 18.15 . 17.30		Close	Previous		
	narkets as			May	17.12	16.96	17.18	16.85	Mar	727/2		_	
	trade da		ts Drexel	- Jun	16.85	16.68	16.70	16.55	May	736/0	738/4 748/6	740/4. 750/6	726/ 737/
			ained 185	Aug	16.43	16.22	16.45	16.12	Aug	745/6	758/0	756/0	745/
naM ele	ch. Lack o	f specul	stors in the	Sep Oct	16.24	16.05 15.96	16.24 16.15	16.00	Sep	741/6	750/0 780/0	752/0 732/0	740/ 724/
erket led	to this ex	ractic ra	illy. In the	Nov	16.13	15.90	16.13	15.85 15.85	Nov	712/6	716/4	718/6	712
			d 37 basis	Dec	16.20	15.85	16.20	15.80	Jen Mar	720/0	723/4 729/0	725/D	7194
	avy techn		ng. Buy d the rally.	HEAT	TING OIL 4	2,000 US ga	ile, cente	/US galls			L 60,000 lbs:	731/4	724/
coa pric	es fell on	commis	sion house		Latest	Provious	High/Lo	W _ 100		Close	Previous		
d specul	lative liqu	idation.	Some	Mar	4980	4874	5005	4870	Mer	21.88			
			oted. In the	Apr	4640	4574	4820 4855	4695 4650	May	22.43	22.10 ·	22.10 22.70	21,71
	n leed re		m ahead of	Jun	4540	4477	4580	4450	"Jul" Aug	22.95 23.15	23.17	23.26	22.8
	short-cove			Jul	4485	4450 .	4500. 4485	4400	'Sep'	23.47	28.35	23.45 23.60	23,0
	e futures			Sep	4550	4542	4550	4462 4540	Oct	23.67	23.65	23.70	23,3 23,5
xed trad	Ing. Cotto	n prices	were	Nov	4705 4737	4672	4705 0	4705	Jan	23.75 23.90	24.05	24.05	23,70
			dation. In	_		es;\$/tornes	<del>-</del>	.0	_		AL 100 tone	24.15	23,90
			was under port about		Close	Previous	Mark 6		====	Cicea	Previous		
an produ	retion. Wh	eut price	es alipped	Mer	1635		High/Lo 1642		Her	231.6	235.6	High/Lot	
	news. C			May	1542	1506	1568	1618 1542	May	229.3	232.7	235.0 233.2	231.2 229.0
	despite a			Jul Sep	1496	1514	1512	1477	, Aug	228.2 228.0	229.2	229.B	225.5
	energy co			Dec	1440	1474	1460	1441 . 1480	. 500	219.5	225.0	226.8 222.5	223.0
e seen !	throughou	t the day	6 <b>4</b> 101 101	Mer	1430	1430	1436	1420	Oct	215.5 215.0	215.0	217.5	217.0 213.5
			·	COPE	C 37	,500tbs; cent	s/ibs		Jan	214.1	214.5 218.5	217.0 214.0	213.0
					Cione	Previous	High/Lo	w	MAIZ	5,000 bu	min; cente/	56th humbal	214.2
				Mar	120.25	132.00	135.50	120.50		Close	Previous	High/Lov	
SM J	<b>fork</b>			May	127.61 124.83	127.58	129,89 126,50	128.25	Mar	269/0	271/0	271/2	
0 100 100	oz: \$/troy	07		. Sep '	122.08.	122.10	124.24	121,60	May	275/0	277/8	278/4	268/4
Close	Previous		<del></del>	Dec	120.38	119.03	122.24 123.00	179.50 179.50	Sep	279/2	281/6 272/4	282/4	279/0
383.5	384.6			May	122.50	118.63	0	0	Dec	270/0	271/0	272/4 271/0	209/6
385,4	386.5	305.5 0	352.6 0	_	121.82		0. :	0,	May	276/6 276/6	277/6 279/6	. 0	0
397.1 391.8	384.2 393.8	388.9	365.0	-	R WORLD						min; cents	O CONTRACTOR	278/4
397.2	398.3	366.9	389.1 396.2		Close		High/Lor			Close	Previous		
402.7	403.8	403.6	402.7	Spo.	10.97		11.00	0	Mar	422/4	425/2	High/Low	
363.6	409.5 304.5	410.0 385.5	406.8 382.8	May	11,14	10.74	11.22 11.22	10.80	May	420/4	425/6	427/6	421/0
419.4	420.5	0	0	Jul -	11.04		11.00	10.85	Sep	405/0	408/0	408/0	420/0
THUM 50	troy oz, \$/tr	oy oz.		Jan .	10.79	9.00	10.81 10.87	10.73	Dec	415/6	413/0	413/0 428/6	405/0
Close	Previous	High/Lo	w	Mer.	10.84		2	0	Mer	420/0	429/3	425m	420/0
535.0	538.2	0	0	COLLC	<b>30,000</b> ,	cents/lbs		12.50	LIVE	ATTLE 40	,000 lbs; cer	rts/lba	
535.0 535.0	596.2 536.2	6610	0		Close	Previous-	High/Low			Close	Previous	High/Low	
684.0	535.2	541.0 538.0	534.1 534.0	Mar.	57.70		56.05	. 57.55	Feb	74.85	74.52	74,95	
534.0	585.7	538.5	534.0	May	55.96	58.54	89.03	58,05	Apr Jun	75.47 73.45	75.30	75.87	74,65 75,40
535.0 535.0	530.8 539.7	527.0 539.0	526.5	Oct	56.35 57.94 ···		58.67 58.20	58.10° 57.95	Aug	73.65 71.27	73.60 71.82	78.85	73.60
			236.0	Dec	61.10		M.20	67.91	Sep	71.25	71.25	71.85 0	71.52
	troy oz. cent			ORAN	ME JUICE	16,000 lbe; o	onts/lbs		Dec	70.02 72.20	70.82	71.10	. 70,77
Close	Previous	High/Lo	*		Close		High/Lon		Feb	71.90	72.20 71.72	72.25 ·	72.00
588.3	589.0	0	0	Mar	189.00				LIVE		IO lb: cents/	71.90	71.90
588.5 564.6	595.6	582.0	586.0 0	May:	137,90		138.00	137.50 138.80	·	Close			
599.8	600.9	602.5	.507.D	Jul .	196.40	195.40	197.20	136.25	Feb		Previous	High/Low	
810.8	811.9	.813.0	636.0	Sep .	138.90	135.75 4 1	38.90	- 136.00	Apr	41,75 41,97	41,82	42.05	41.45
. 621,3 636.7	622.4 537.8	622.5	618.5 534.0	Mar	130.25		33.00	183.50	, Jun	46.82	42,27 46.75	42.15	41.90
641.2	636.4	0	0.					1.1.5	Aug	47.05	47.12	47.00 47.20	46.70
651.9	663.0	655.0	650.0			1. 7 4.			Oct	46.15 42.95	46.07	48.20	47.00 45.05
682.5	663.6	0	0 ;	Time:			27		Dec	44.90	43.05 45.00	<b>43.15</b>	42.85
	O lbe; cents			pepe					Feb	45.00 .	45.19	44.92 45.40	44.90
Cicae	Previous	High/Lo	w	-		e: Saptembe			PORK	ELLES 4	0,000 lbs. ce	Wite/ib	45.00
129.20		129.50	128.80	<b> </b>	Feb 15	Feb 14	mith eo	0 yr ego		Close	Provious		
127.20	123.80	125.35	123.20		1932.5	1960.7	1891.0	1762.5	Feb	38,40	37:82	High/Low	
123.50 120.50	118.70	0 121.50	119.50	DOW	JONES (E	lese: Dec. 31		100)	May	37.90	37.32	38.65 38,10	37.65
115.00	114.50	116.90	115.40	1		134,65		131.08	Jul	39.05	38.50	38.95	37.20 38.20
				E VINCE	- 10 - 10						38,67		30.40
113.30 110.30		114.03 111.03	111.50 109.70		es 187.55	198.76	143,08	138.01	Aug	37. <u>92</u> -	38.15	39,40 38,45	38.87



#### LONDON STOCK EXCHANGE

# dilemn -Shares ease ahead of US trade data

AN INCREASINGLY cautious UK stock market continued to give ground yesterday but steaded in the second half of the session when Wall Street came in with another round of early gains. The latest batch of data on domestic earnings, wage costs and employme found a somewhat bearish reception. However, the test of the market's nerve will come today when it must face the domestic Retail Price Index and December trade-figures from across the Atlantic.

Turnover was boosted yes terday by several programme trades, worth a total of around £160m. The market opened firmly, reflecting Wall Street's

Account Dualing D	etes ·
First Dualinger Jan 20. Feb 13	Feb 27.
Collect Declarations	Mar B
7. 7. 7. 7. 7. 7. 7. 7. 7. 7. 7. 7. 7. 7	Mar 10
Acrount Days Feb 20 Mar 4	Mer 20
"How then dealings may take pl B.M am two business days said	nco pom

overnight strength, but turned off when BZW reportedly operated the sell-side of a pro-gramme of which the buy side half been started at Wednes-day's close. Two smaller pro-grammes followed, and with both also finding it difficult to sell stares the market sagged by IS FT-SK points. by 18 FFSE points.

ing disclosure of a larger than expected 2.2 per cent annual-ised gain in unit wage costs for December, and a gain of 8.75 per cent in average earnings for the month, both of which were seen as a sign of continued strength in the economy.

However, the later stages of the programmed trades lay mostly on the Beta stocks. The Alphas were sustained by Wall Street's recent firmness, and by demand for ICI ahead of the trading figures which are due next week. Trading results from other

major stocks, notably British Petroleum and British Telecoms were taken catitiously. higher totals of last month's

The market railied towards the close, to show a final reading on the FT-SE Index of 2038.8, a net fall of 13.7. Market analysis remained cautious on the outlook for equities. Most agree that the expected techni-cal correction has yet to come. Mr Robin Aspinall, strategist at Schroder Securities, while

remaining fundamentally bullish for equities, believes the FT-SE could dip to around 1960 in a short term shakeout. Sead volume jumped to 644.1m yesterday from Wednesday's 468,5m, an apparently welcome return towards tha

rival International City Holdings (ICH). However, MAI sub-

sequently said: "The sugges-tion that MAI will bid for the

whole of ICH is untrue." ICH

ended 2 lower at 80p, although dealers were not discounting

the possibility that MAI might

make an offer for part of ICH's

among insurance brokers, dropping 10 to 118p amid

ing sector were confined to sec-ondary stocks. Caradon moved

16 higher to 375p after a City seminar, while J Latham, the

timber merchant, rose 15 further to 325p.
Second-line store Summer

International, formerly known as Sumrie Clothes, rose a penny to 48p amid talk that the

company was poised to sell its Linguarama operations to US publishing house Macmillan.

third-quarter figures at the low end of expectations was

greeted with a cut of 5 to 277p in the share price. Mr Jack

Summerscale, senior analyst at BZW, warned that "core vol-

ume growth has passed its

peak and that next year's fore-

casts are being trimmed

though the electrical sector, and volumes were low. Talk of

a profits downgrading from Morgan Stanley lowered STC 9

to 308p. But Morgans decied

changing its forecast and blamed the fall on continuing

bearish sentiment, two weeks

before results, over subsidiary ICL's performance in Europe.

. A Soper cent profits down-

grading due to be published this morning by Scrimgeour

at 328p. The uncertain UK defence and US datacommuni-

cations businesses are the wor-

ries, say Scrimgeonrs, the

group's broker, which is also

cutting its 1990 forecast.

BICC was marked down on

because of weakness in the Australian dollar which could cut income from metal manu-

cut income from metal manifacturing. Profit-taking in a thin market helped the decline and the shares touched 452p before finishing 8 lower on the

An apparently bright spot was Amstrad which rose 2 to 1570 after the company's bro-

kers, James Capel, briefed institutional investors at

Amstrad's Brentwood head-

quarters. Stories later revived of a possible Amstrad-GEC

tie-up but an analyst com-mented, "a perfect stockbrok-

ing story for moving a price but very unlikely to happen". GEC moved down 3 with the

day at 457p.

Vickers, knocked 11p off Racal

A dispirited air wafted

News of British Telecom's

schedule next Monday.

PWS were a notable casualty

The low point came follow- albeit without any major sell- bull phase. However, traders ag disclosure of a larger than ing. the trading programmes. "Of course all business is good business, but without the pro-grammes we would have had another thin day", commented a trader at a large US house. London was clearly nervous yesterday as dealers tried to avoid being caught "long of stock" if the predicted market shakeout gets under way. The dip in the Australian dollar was blamed for losses in a number of stocks. On the other side of the balance, several well-seasoned speculative stocks suddenly caught alight,

> developments. market to 2200.

90p amid suggestions that it was about to launch a bid for Plessey, the sector's number one bid candidate, firmed a penny to 255p. "Why sell Ples-sey in a weak market when

despite the absence of any new

Rolls Royce dropped 4 in

Thorntons, the chocolate maker, added 7 at 156p on what one marketmaker described as "very vague hid talk." He said that market was speculating that if, as expected, Procordia fails with its attempt to win

Two news items enabled

Since Compileti 10 13 Ago Low High Low 89.10 88.90 88.96 88.98 94.14 105.4 50.53 (8/1/88) (28/11/47) (3/1/75) Ordinary 1714.7 1349.0 1928.2 49.4 (8/2/89) (8/2/88) (16/7/87) (26/6/40 1660.9 Gold Mines 734.7 163.0 167.1 (7/1/88) (15/2/88) (15/2/83) (28/10/71) Ord. Di. Yield Earning Yid %(full) PE Ratio(Net)(±) SEAO Bargains(Spm) Equity Turnover(Em)† Equity Bargains† Shares Traded (m))† . S.E. ACTIVITY 4.34 10.83 11.22 25, 185 1089.84 28,856 407.5 4.35 10.84 11.21 4.39 10.98 11.04 11.18 30,233 1361.50 37,609 521.0 27,508 Gilt Edged Bargains 103.2 96.1 1408.23 31,400 517.3 Gitt Edged Bargains
Equity Value
5— Day average
Gitt Edged Bargains
Equity Bargains
Equity Value 187.0 203.5 Onlinary Share Index, Hourty changes Opening © 10 am. © 11 am. © 12 pm. © 1 pm. © 2 pm. © 3 pm. © 4 pm. 1884 8 1887.7 1689.2 1686.9 103.9 105.7 2787.7 DAY'S HIGH 1678.1 DAY'S LOW 1662.3 Besis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35 Gold Mines 12/9/55, SE Activity 1974, ANII 11.11 (Excluding in

TRADING VOLUME IN MAJOR STOCKS

FINANCIAL TIMES STOCK INDICES

### Conran stores shock

The share price of Sir Terence Conran's Storehouse group turned in a resilient performance in the wake of further had news from the company.

As soon as the 248m charge against pre-tax profits for the current year was announced.

Storehouse dropped 7 to 172p. and although 9m shares subsequently went through the sys tem, the closing price of 170p (a net 9 down on the day) proved that there was some support

for the stock Alongside several comments from inside the market that 140p was a more realistic price for Storehouse, dealers conchided that it was only of a bid that was propping the shares up. "The speculators are still looking to US arbitrageur Mr.
Asher Edelman to make some sort of approach with his 6 per cent holding," said one market-

However, most eyes were on the figures, and after a flurry of brokers' downgradings the average market estimate for profits in the current year had come down to £15m (after exceptional costs), and for 1990 to £60m. "The shares remain expensive on fundamentals and they are unlikely to recover until sales per square foot go up," said one analyst who held out little hope for any form of profits growth in

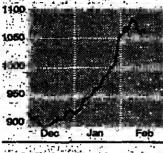
#### Saatchi aflame

5 m 25

Saatchi & Saatchi, the international advertising agency, came sharply into focus after a front nego, story in the industry's main tabloid claimed that two former US executives might make an andacious bid for the group. Mr Bob Jacoby, chief of the Ted Bates agency until acquired by Saatchi in 1987, and Mr John Hoyne, his former right-hand man, are bent but revenge, so the story went, holding a small share stake which Saatchi insiders fear might be substantially

Having detected few signs lately of aggressive buying from the US, where Saatchi shares have been trading at a discount in ADR form, London traders were generally scornful of the report. They reflected that the stakes at present held by the two executives were too. small to present much more than a cause of irritation to the

Speculation was inevitably aroused however, and market interest soon began to turn to the break-up value of the UK group's assets, which is signifi-



cantly higher than the current share price. Mr Andrew Mills of BZW referred to this in a recent review of the sector. Some traders thought this 2 more convincing reason for yesterday's aggressive domes-tic buying of Saatchi shares which surged to 412p, up 25 on

#### Laporte nervous

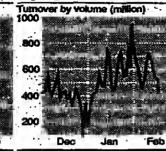
Laporte Industries shares twitched nervously awaiting next Wednesday's annual fig-ures, losing 11 to 409p. One reason for the reaction was notice of a pre-results downgrading by Citicorp Scrimgeour Vick-ers. The trio of analysts covering the chemical sector have lowered estimates of likely profits for the next three years. although the 1988 forecast is only marginally reduced to £82m. This figure excludes profits on property disposals

Their advice is to reduce holdings because the market's long held perception that Laporte can deliver consistent 15 per cent growth is looking increasingly wide of the mark as Interox reassesses its pros-pects in the light of the damagng switch to liquid detergents

in Europe. "Although Laporte could have some entractions in the longer term as an asset play, abandoned growth targets leave the shares (which are on a market rating) vulnerable to underperformance," they

BIRUE. Firmness on Wall Street provided an underpinning for international stocks, which were featured by support for several of the leading names. ICL with the results due next

# **Equity Shares Traded**



week, were pushed higher by a severe squeeze as marketnak-ers hurried to find stock for their trading books. At 1196%p, the shares rose 11%, although turnover was an unimpressive 1.5m shares.

More convincing was a 6 rise to 571p in Beecham on 3.9m shares as renewed US demand inspired support from some UK funds. London analysts are cantious, however; Mr Paul Woodhouse of Citicorp Scrim-geour Vickers believes Beecham are fully valued by the

market already.

There was a smart reaction in Wellcome, finally 6 off at 477p, to new reports from the US that Merck, the world's largest pharmacenticals group, is pressing on with successful testing of an anti-Aids rival to Retrovir.

A renewed advance in Renters B, 24 up at 638p, indicated both satisfaction with the trading results announced this week, but also growing expectation that the A shares will soon become tradeable.

Suggestions that Minorco is about to announce its new bid for Consolidated Gold Fields continued to circulate, taking Gold Fields a few pence higher to 1445p as the market awaited the ruling from the EC Com-mission on the original bid proposal. Turnover in the stock was thin, however, and City analysis questioned whether Minorco could act before it receives clearance in the US

Reckitt & Colman suffered a bout of selling on fears, largely unsupported by analysts, that the fall in the Australian dollar would cut into earnings. At 1928p, the shares ended 20 down with 2m shares traded. Money brokers MAI fell 4 to

#### **NEW HIGHS AND LOWS FOR 1988/89**

MEW MORTH (118).

MENTINH PUREDS (16) WITTERARK & O'BEAS SCIVIT, STLE. MEMBES (2) Asian Dav. Bit 10-19 C 2010, MARCH SCIVIT, STLE. MEMBES (2) Asian Dav. Bit 10-19 C 2010, MARCH SCIVIT, SOUTHER SCIVIT, SOUTHER SCIVIT, SOUTHER SCIVIT, SOUTHER SCIVIT, SOUTHER SOUTHER, CONFOR (5).

Attwoods, Bett Brother, BURLDSWOS (6).

Attwoods, Bett Brother, Witterpent, Ward Grp., Warts State, CHEMBEALS (4) Ceit Group, Jeyes Grp., MTM, Novo Inda., STORES (3) Linkad, Wyevels Garden, STORES (3) Linkad, Wyevels Garden, Control (5). First Tech., Molytor, Restland, Control Tech, First Tech., Molytor, Restland, Control Tech, First Tech., Molytor, Restland, Control Tech, First Tech., Molytor, Restland, CS (1) And Hastin. BSA Group, Dc. 6,7pc Rd. Pl., Berratt (Febrary), Brown & Tawas, Burndens, Carbo, Chieffain Grp., Christige Ind., Dauphio, Davies & Newman, Endart, Hattam, Jackson Bourse, Science L.

there's everything else to sell," said one trader.

early trading but bounced back almost immediately and finished unchanged at 166p. Turn-over was 5.7m in an otherwise relaxed day for the engineering

Bid hopes kept Gateway uncertainty as to whether the afloat as joint brokers BZW group's final results, already delayed once, will appear on and Warburg Securities reduced their earnings forecasts for the supermarket group after a profits warning from the company on Wednes-day. Dealers reported a big buyer of the stock at 169p and Blue Circle were bought late and closed 9 up at 494p but other highlights in the Buildthe shares closed a halfpenny firmer at 168%p on turnover of

Bassett Foods, the Swedish group will turn its attention to

Acatos & Hatcheson slumped 25 to 218p following warnings from the chairman of deteriorating business conditions; high interest and cur-rency rates are likely to have an adverse affect on the trading performance this year, he

British Aerospace to move against the trend of the wider market and settle 5 higher at 535p. The first was the announcement of a restructuring programme, which will result in staff cuts, and the sec-

#### 144p, and in Lookers, 6 higher

at 178p. WPP basked in the strength of Saatchi, rising 15 to 678p, although some bnyers were looking ahead to the prelimi-nary figures, due to be reported on March 2. Boase Massimi was another beneficiary with a gain of 8 to 244p. The decision by REA Holdings not to proceed with the offer for Angio Eastern Plantations brought the latter's

team at Kleinwort Benson, not-

ing that production earnings

were lower, saw the BP figures

Bourne Rnd shot up 23 to 140p shares back 9 to 83p. BP's final profit for 1988 of Owners Abroad edged a £1,437m on replacement cost was towards the bottom end of penny higher at 81p after sounding an optimistic note on publication of full year profits the London market's range of forecasts and with the dividend total also disappointing, sellers US dollar influences touched off selling of Jaguar shares, which fell 9 to 305p, but Motors moved in quickly. The analyst

as "more reason to prefer Shell." Although fears of sell-ing from the US proved overdone, there was no recovery in the shares. The BP partly-paid stock ended 4 off at 170p on turnover of 3.5m, with the old shares 4 down at 271p on 8m.

Activity in traded options was dominated by turnover in Racal and in the FT-SE 100 Index, though there was also relatively good business in British Telecom, and a late run of dealings in Lonrho. Overall turnover came to 37,812 contracts, including 28,851 call. The Index business lay in 10,339 calls and 2,951 puts.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

## of making a million this year?

What are your chances

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and related to the signing of

the Lufthansa contract for the purchase of 15 Airbus Industrie

A-340s aircraft and options on

revised terms from Evode, The

movement brought prices of

their respective shares closer

together with Chamberlain

ending at 189p, down 7, and Evode 4 off at 187p. Jackson

issues had firm distributor fea-

tures in Lancaster, up 7 at

as property hopes revived.

up by more than half.

15 more, worth some \$3bn. Chamberlain & Phipps reacted following the agreed

We all like to gamble now and then. Especially if our chances of winning are high. Even better when the prizes are high too.

Better still, when you can become a millionaire overnight!

With the Northwest German State Lottery, you can do just that. This season's lottery pays out a grand total of almost

#### ONE QUARTER BILLION GERMAN MARKS

IN PRIZEMONEY, 241,435.000 DM, to be exact. But ticket sales are limited to only 700,000. Which means that almost 40 % of participating tickets are winners. But that's not all. During the 26 lottery weeks, there are 22 prizes of 1 million Marks, 2 of 2 million Marks and in the final weeks, two super prizes of

#### THREE MILLION GERMAN MARKS

That's the equivalent of almost a million pounds sterling and over a million and a quarter US dollars. The lottery and the prizes are 100% guaranteed by the German government, who by the way does not impose tax on lottery winnings. Ill pay you your prize money, in any currency, one lump sum and in the strictest confidence.

The next lottery starts on March 31st, so why not order your tickets today? 1989 could well be the year you become a millionaire."



CHRISTIAN SCHIPPMANN Official Agent of NORTHWEST GERMAN STATE LOTTERY P.O. Box 60 16 29, 2000 Hamburg 60, West Germany

I incket(s) £ 246or US \$ 465or DM 744each   I enclose cheque with my o   Access/MasterCard/Euroc   Access/MasterCard/Euroc   American Express   V   Mr/Mrs/Miss   Account No.   Expiry date   Expiry date   City   Country   City   Country		number of tickets:		of exchange. Prices for all including air mail postage an list of winners. No addition:	6 classes
1/2 ticket(s) £ 126or US \$ 237or DM 384 each   Access/MasterCard/Euroc   American Express   V   Mr/Mrs/Miss   Account No.   Expiry date   Expiry date   City   Country		1/1 ticket(s) £ 246or US\$ 465or	DM 744 each		
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#### **APPOINTMENTS**

### New post for Robin Ibbs

Sir Robin Ibbs, deputy chairman of Lloyds Bank, and until recently adviser to the Prime Minister on efficiency and effectiveness in government, has been appointed chairman of LLOYDS MERCHANT BANK HOLDINGS. Mr C.R. Smith and Mr E. Swainson, both Lloyds Bank directors, with experience in the North of England and the Midlands, have joined the LMBH board. Also joining the board are the heads of the operating divisions of Lloyds Merchant Bank: Mr R.C.G. Fortin (corporate finance); Mr R. Hollidge (development capital); Mr C.N. Hurst-Brown (investment management); and Mr P.D. Minchin

in P.D. Hinchin (stockbroking). The other members of the board are: Mr N.W. Jones, deputy chairman of Lloyds Bank; Sir William Harding, Lloyds Bank director; and Nr D.O. Horne, chairman and chief gracutive of Lloyds and chief executive of Lloyds Merchant Bank. Sir Lindsay Alexander retired as chairman of LMBH last December when he retired as deputy chairman of Lloyds Bank, of which he remains a director.

Mr Alen Lewis has been appointed group managing director of the MUNICIPAL GROUP in succession to Mr Max Rodenburg who is retiring. Mr Lewis joins from Argus Press where he was managing director of Argus



Health publications. Mr Malcolm Taylor succeeds Mr Jack Mitchell as managing director of the group's exhibition organising company, Brinter

SCHRODER SECURITIES has appointed Mr Richard Harwood as head of UK research. He was with Morgan Grenfell.

KKLT UK has appointed Ms. Alison Shields as finance director. She joins from Ranger

mr Roy Grantham, general-secretary of the Association of Professional, Executive, Clerical and Computer Staff,

has become a director of ANSVAR INSURANCE, which caters for non-drinkers. He is vice chairman of the UK Temperance Association. Ansvar is the UK subsidiary of the Swedish company Ansvar Mutual

■ Following the acquisition of COUNTY KITCHENS by Cornwell Parker, Mr John C. Mason, finance director of Cornwell Parker, has been appointed chairman of County Kitchens, and Mr Richard J. Gloyn, a CP director, also joins the board. Mr Robin Perry remains managing director and Mr David Hewitt, sales director, of County Kitchens.

Following the acquisition of Matthew Hall, former chairman Sir George Jefferson has joined the main board of AMEC as a non-executive director. Mr Malcolm Hawe, managing director of Fairclough Homes, joins the AMEC board as an executive

■ Mr J.A. Dick and Mr S.F. White have been appointed directors of F. & C. EUROTRUST.

Mr John Bailey has been appointed finance director and company secretary of PAVILION LEISURE HOLDINGS. He was a partner with City accountants

Mr Rliet Walker has been appointed to the board of BROOKMOUNT ESTATES,

and to the board of Brookmount Development Management. He was building director at Heron Property

 STEPHENSON GROUP, Bradford, has appointed Mr John Reid as production and technical director. He was with ICI at Wilton.

■ Mr Thomas Mulvaney has been appointed finance director of Tungstone Batteries. Mr Allen Quinney becomes director and general manager of Crompton Vidor. Both companies are subsidiaries of HAWKER SIDDELEY.

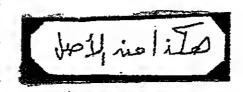
■ MYNSHUL BANK, a division of Swinton Holdings, has appointed Mr Roger Hoyle as managing director of a new holding company to oversee Mynshul's various activities.

TOWN & COUNTRY BUILDING SOCIETY has appointed Mr Ian Hancox, London regional manager, as assistant general manager (development). Mr John Steams, northern regional manager, becomes assistant general manager (operations).

"Mr J.A. Dick and Mr S.F. White have been appointed directors of F. & C. EUROTRUST.

■ TAMARIS has appointed Mr Andrew Pearce as financial controller and company secretary. He was group accountant at C.H. Industrials.

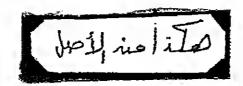
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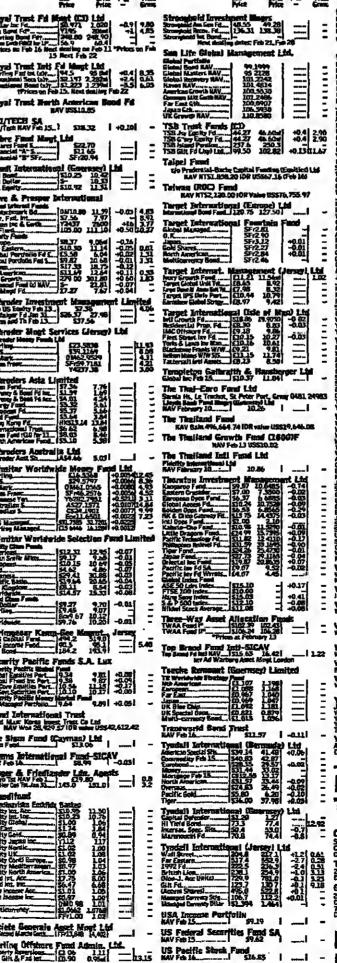
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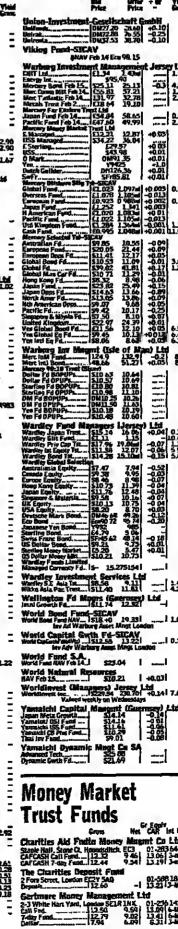


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#### LONDON SHARE SERVICE

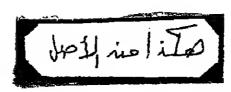
BRITISH FUNDS	BRITISH FUNDS—Contd	FOREIGN BONDS & RAILS
1980/09   Price  + or Yield   Bigh Lave   Stack   E - Int.   Inc.		1988/89 Price + or Oly % Red.
	(Indahed	High Law   Stack   5
"Shorts" (Lives up to Five Years) 1011 9831 7eas 91-pc Car 1969 97-12 95-12.	45.4 41 ii Consols 4pc 45.4 + 14 8.88 40.2 37 1 War Lean 31 posts 40.2 37 1 War Lean 32 posts 40.2 42 1 + 14 8.88 8.60 10 10 30 30 11 ress. 3pc 50 4rt 57 2 + 15 5.04 11 28 1 26 1 50 1 50 1 50 1 50 1 50 1 50 1 50 1 5	80 63hong 24 Ass. 80 1275 1357 1401: 1283; Hydro Ouebec 15pt 2011 1393 42 15.00 10.38 131 Å 131 Reclaud 14 ppt 12016 1282; d + Z 14.50 11.13 1014: 27 irreland 94 pt '91-96 97.13 9,75 10.35
101.1 991/1 mess 91-pc Car 1989	33 3072 ress. 39: 66 Art. 38 +17 7.89 1 25 1 25 1 26 1 Consuls 2 type. 28 1 1 27 3 27 3 27 3 27 3 27 3 27 3 27 3	101 1 37 Fireland 94 pc '91-96 1 97 d 97 d 9.75 1035
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1034 954 Tress Spc Cr 1990 # 954 + 8 8 8 8 1034 974 Tress 10pc 0r 1990 955 + 1 1016 11 91 874 Each 2 pc 1990 974 + 2 279 8	90 1264 1175 Tress 2pc IL 90084.6) 1264 +3 0.07 2.68	669p) 340p  Allegheny & W Ic.   468p +2   30c - 36   15& 862p  Amax S1
103.4 77.4 Test 10ct 1790. 78.4 4.2 10.1.5 11. 11. 11. 11. 11. 11. 11. 11. 11.	77 97-1 92-100, 2 94 (102 9) 97-1 + 2 94 3.41 11 123 127-1 00, 2 96 96 7 9. 123 123 123 123 123 123 123 123 123 123	313 22 Amer. Cyanamid \$5 28 +1 51.20 - 24
10771 00110 4 11-1000	22 120 1101 1 00. 2 5 ps: '0378.8 125 4 + 1 3 3 3 4 3 5 5 1 2 3 1 1 2 5 1 1 2 5 1 1 2 5	30 22 Ameritech S1 2912 + hS2.92 - 5.5
96.4 91.1 (rest Spc 1991 92.4 18.54 10. 117.1 103.6 (rest 1991 1992.1 16.5 4 11. 12.04 10. 117.1 103.6 (rest 1991 1992.1 16.5 4 11. 12.04 10. 117.1 10. 10. 10. 10. 10. 10. 10. 10. 10. 1	72 1234 1025 00. 20c 10669 53.	244 16 Rankers N.V. St 224 +4 \$2.08 - 5.2
86.2 81 ST rest Sec 1992	00 106 874 00 24 pc 2083 0 106 9 2 3 3 3 3 4 6 9 H 7300 24 pc 24 pc 77.7 89 H + 3 3 2 3 3 4	251 191 Bell South Corp 26 +5 52 36 - 5.4
117 106 Each 12 pc 97 185 and 11 1 10. 117 106 Each 13 pc 1992 199 2 199 2 1 1 1 1 10. 97 91 92 1 1 1 1 10.	74 Prospective real redemption rate on projected inflation of (1) 75 10% and (2) 5%. (b) Figures to parenthese show RPI base 75 month for indexing the 8 months prior to local and have been	13-a   2019
11 - 105 Trace 12 pe 1993# 106 1 11 10.	<ul> <li>adjusted to reflect rebasing of RPI to 100 is January 1987.</li> <li>Conversion factor 3,945, RPI for May 1988:106.2 and for RPI December 1988:110.3</li> </ul>	17-1 11- Brownies-Ferris 16.6x. 16.7x - 1 56x - 1.9 13-4 787 pB-passwick 75c. 104-1 - 44c - 2.3 33-4 21-5 CPC intral. 25c. 29.3 + 2 51.44 - 2.7 19-4 13-4 CS3 S51
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Afficiant Control  1988/89 Nigh Law 19 14   USX 51 15-10 Adoption tab. 25   17-3 ml + 5   17-3 ml + 5   17-3 ml + 5   17-3 ml + 6   15-10 Adoption tab. 25   17-3 ml + 5   17-3 ml + 5   17-3 ml + 5   15-10 Adoption tab. 25   17-3 ml + 5   17-3 ml + 5   15-10 Adoption tab. 25   17-3 ml + 5   17-3 ml + 6   15-10 Adoption tab. 25   18-3 ml + 5   18-3 ml + 6   15-10 Adoption tab. 25   18-3 ml + 6   18-3 ml + 6   15-10 Adoption tab. 25   18-3 ml + 6   25   18-3 ml +	ELECTRICALS    1988/89	INDUSTRIALS (Miscel.) — Contid  INDUSTRIALS (Miscel.) — Contid  INDUSTRIALS (Miscel.) — Contid.  Industrial In
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#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### FOREIGN EXCHANGES

## Sterling up from weak start

Sterling recovered from a weak start in currency markets yesterday, gaining strength from a decision by the West German Bundesbank to leave its key lending rates unchanged. Confidence in the nound was undermined at the start by fears of a rise in German rates and a consequent erosion in sterling's favourable interest

rate differential. The pound derived further support from UK economic data released yesterday, sug-gesting no early fall in UK interest rates. January unemployment showed a fall of 49,300, implying e sustained growth in the economy, while December average earnings rose by 8.75 per cent, unchenged from November. But a rise in unit wage costs of 1.0 per cent in the three months to December underlined the need to keep mone-

tary policy tight. tary policy tight.

Sterling's recovery pushed its exchange rate index up to 98.0 at the close, a sbarp improvement from 97.5 at the opening, but unchanged from the close on Wednesday. Attention is now likely to focus on the release today of January retail prices data. Analysts expect an increase in the annual rate of inflation from annual rate of inflation from 6.8 per cent in December to nearer 7.5 per cent for January. Sterling closed at \$1.7710 from \$1.7735 and DM3.2625

Feb 16	Lates	•	Previous Close	
f Spot 1 month 3 months 12 months	0.48 · 0.47cm 1.39 · 1.36am		7740 · 1 7845 0.46 · 0 45pm 1.35 · 1.33pz 3 78 · 3.68pm	
			y to the US doll	
STE	erlin		DEX	

4.00 pm		98.0	98.0
CUR	REN	CY RA	TES
Feb 16	Bank rate	Special* Drawing Rights	European Currency Unit,
Sterling U.S Bollar Canadian S Austrian Sch Belgnan Franc Gunish Krone Deutsche Mark Neth Gulder French Franc Lallan Lira Japanese Yen Monray Krone Soanish Peseta Sweish Krona Sweish Rrona Sweish Rron	650 1154 7.75 127 127 127 127 127 127 127 127 127 127	0.747587 1.32308 1.56163 17.1577 51.1073 9.48119 2.43630 2.75201 8.30431 N/A 8.825769 166.708 8.825769 2.07128 9.48119 N/A	0.639141 1.12904 1.35599 14.5697 43.7165 8.11274 2.06546 2.35394 7.07999 1525.05 142.937 7.25.290 7.11862 1.74.290 0.781994

CURRENCY MOVEMENTS				
Feb.16	Bank of England Index	Morgan <sup>ee</sup> Guaranty Changes %		
Sterling	96.0 66.6 102.5 105.5 105.5 102.8 112.4 108.4	-14 0 -12 2 -0.1 +9.5 -6.5 -2.1 +20.1 +17.9		

Capadian Dollar Austrian Schilling	103.5	-0.1		
Belgian Franc	105.5	-65		
Deutsche Mark	1124	+20.1 +17.9		
Golder	1098	412.7 -16.0		
Lira	97.5 152.3	20.3 +85.3		
Morgan Guarauty changes average 1980 1982 - 100. Bank of England Index (Base Average				
1985 - 1000 Rates are	JorFeb 15	TOTAL MICEO		

1103-100. Im	E ale jorres.15.
OTHER	CURRENCIES

**MONEY MARKETS** 

THE INTEREST rate picture became a little clearer yesterday, with the US Federal

Reserve continuing to tighten

short term credit conditions in

monetary policy unchanged at yesterday's council meeting

In London three-month ster-

ling interbank eased to 13-1215 per cent from 131-1215 per cent

on the Bundesbank's decision

UK clearing back base leading rate 13 per cent from November 25

to leave key German rates

unchanged. An unchanged 8.75 per cent in the underlying rise

of UK average earnings came as something of a relief, follow-

ing forecasts of a rise to 9 per

cent. but the market remains

nervous about the inflationary

picture, amid speculation that

today's UK retail prices index

for January will show a rise of

7.3 to 7.5 per cent, against 6.8

funds from the banking sys-

tem, vie five-day matched sales, when Federal funds were

trading at 9% per cent, leading

to suggestions the central bank

intends to drive the rate up to

In Paris the news from Ger-

many enabled the Bank of

France to leave its money mar-

ket intervention rate at 8.25

In New York the Fed drained

per cent in December.

9½ per cent.

New York and the West German Bundesbank leaving its

A clearer picture

per cent at yesterday's securi-ties repurchase agreement ten-

The Bank of England fore-cast a money market credit shortage of £950m in London, and provided total assistance of £831m.

An early round of belp was

offered and at that time the Bank of England bought £527m

hills, including £407m outright, hy way of £181m bank bills in

band I at 12% per cent; £199m

bank hills in band 2 at 121 per cent; 523m bank hills in band 3

at 1211 per cent; and £4m bank

bills in band 4 at 12% per cent. At the same time £120m bills were purchased, for resale to the market on February 22, at

Before lunch another £125m bills were bought outright, via £53m bank bills in band 1 at 12% per cent and £72m bank bills in band 2 at 12% per cent and £72m bank

bills in band 2 at 12 per cent.

In the afternoon the authorities bought £96m hills outright, through £30m bank bills in band 1 at 12% per cent and £69m bank bills in band 2 at

121 per cent. Late assistance of

£80m was also provided.

Bills maturing in official hands, repayment of late assis-

tance and a take-up of Trea-

sury hills drained £1,101m,

with a rise in the note circula-

tion absorbing £60m and bank

halances below target £30m.

These factors outweighed Exchequer transactions adding

£240m to liquidity.

compared with DM3.2700. It was also lower against the yen at Y223.75 from Y224.25. Elsewhere, it finished at SFr2.7725 from SFr2.7750 and FFr11.0950 against FFr11.1300.

The dollar was supported by unchanged German interest rates. Trading was confined to a narrow range for much of the day as investors retreated to the sidelines ahead of US trade data for December, due for release today. Volume is also likely to be inhibited by the closure of all US financial centres on Monday for Presidents

The US unit finished towards the top of its narrow range, deriving support from a larger than expected increase in Jan-nary housing starts. Interest rates remain firm, providing the dollar with a stronger undertone. The apparent differ-ence in emphasis on inflation hetween President Bush and the Federal Reserve appears to have been put to one side in the market, at least for the

time being. The dollar closed at DM1.8425 from DM1.8440 and Y126.30 compared with Y126.40. Elsewhere, it finished at SF1.5650 from SF1.5640 and FF16.2650 from FF16.2750. On Bank of England figures, the dollar's exchange rate index

rose to 66.6 from 66.4. The Australian dollar fell sharply following the release of January trade figures. These showed a record A\$1.54bn deficit - around double market expectations. The dollar fell to a low of 84.50 US cents in Syd-ney; after a steadier start in London, it fell away to close at 84.32, down sharply from 87.45 at the close in London on

Wednesday.
The D-Mark finished on a weak note. Its decline against the dollar was accelerated by comments from Mr Helmut Schlesinger, vice-president of the Bundesbank, when he stressed that there is unlikely to be any need for e global interest rate spiral.

ems e	UROPE	AN CUR	RENCY	UNIT RAT	res
	Ecu central rates	Currency amounts against Eco Feb 16	% change from central rate	% change adjusted for divergence	Divergence (lant %
leigian Franc Jantsh Krone Jantsh Krone Jantsh Krone Jantsh Guilder Jantsh Guilder Jantsh Pum Jantsh Lura	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58	43,7165 8 11274 2,09546 7,09999 2,35394 0,781,994 1525,05	+2 % +3.32 +1.31 +2 84 +1 49 +1.77 +2 80	40.91 +0.77 +0.74 +0.54 +0.54 +0.52	±15344 ±15404 ±1.0981 ±13674 ±15012 ±16684 ±4.0752
hanges are for Ecu, the discussed by POUND S	y Financial Time	5,		ST THE I	POUND
Feb.16 Day	r's	Close	Ope month	% Three	. 1%

3.08		p.a.
1.40 5.50 4.81 4.60 5.75 1.34 0.35 1.45 1.88 8.38 6.02 6.76	1 35-1 30pm 0.71-0.52pm 53-53-pm 84-75pm 15-13-pm 15-1-40pm 10-18-pm 10-18-pm 7-4-pm 54-43-pm 63-63-pm 41-43-pm 30-53-344-pm 33-344-pm 35-344-pm 35-344-pm	2.99 1.17 5.77 4.54 4.57 5.99 0.30 0.36 1.66 2.20 7.91 7.01
	1.34 0.35 1.26 1.45 3.45 1.88 8.38 6.02 6.76	134 110-18pm 0.35 30-parpm 1.26 7-4pm 1.45 5\4-4\pm 3.45 9\-9\-9\pm 1.88 6\-6\pm 4\2-4\pm 6.02 36\-34\pm

Feb.16	Day's	Close	One month	% p.a.	Three	% p.e.
Kt	1,7620 - 1,7730	1,7705 - 1,7715	0.47-0.44cpm	3.08 -2.28	1.35-1.30gm	_2
reland?	1.4415 - 1.4500	1.4445 - 1.4455	0.25-0.30cdls	-2.2B	0.70-0.80db	-2.
anada	1.1780 - 1.1840	1.1825 - 1.1835	0.14-0.19cdis	-1.67	0.52-0.548	-1
etherlands.	2.0770 - 2.0875	2.0795 - 2.0805	0.43-0.40cpm	4.21	1.44-1.40pm	4.
elgium	38 55 - 38.75	38.65 - 38.75	6.50-5.00cpm	1,01	18.00-15.00pm	0
enmark	7.16 - 7.19	7.174 - 7.184	1.05-0.75grepm	1.51	2.95-2.55pm	1
Germany	1.8400 - 1.8490	1.8420 - 1.8430	0.43-0.40afpm	2.70	1_39-1_34pm	2
ortugal	151 - 151 4	151 - 151 4	12-32cdis	-1.74	55-105dis	-2
pain	114 50 - 116.05	114.90 - 115.00	26-31cdis	-298	84-93ffs	-3
aly		13464 - 13474	2.00-2.60(bred)s	-2.05	7.10-7.90ds	-2
orway		6 6912 - 6.70	0.75-1.00oredis	-1.57	2.10-2.4065	-1
rance		6.264 6.264	0.25-0.20com	0.43	0.85-0.75om	0
vede1	6.28 - 6.32	6.30% - 6.31	0.55-0 75oredis	-1.24	1.20-1.50dis	-0
арап	126.15 - 126.65	126.25 126.35	0.54-0.52vom	5.03	1.60-1.57000	5
estria	12,944 - 13.00	12.964 - 12.97	3.30-2.80gropm	2.83	10.80-9.30pq	3
witzerland .	1.5615 1.5685	1.5645 - 1.5655	0.47-0.44cpm	3.49	1.49-1.45pm	2

Feb.16	Short.	7 Days	One	Three	Str	Une
	term	notice	- Mouth	Months	Months	Year
Sterling US Bollar Can, Boltar O Guttler Sw Franc Destschungt Fr. Franc B. Fr. (Fond B. Fr. (Fond B. Fr. (Fond B. Fr. (Fond Con.) Yes O, Krone O, Krone	13-12-2 11-1-1-2 11-1-2-3 11-1-3-4 1-3-4 1-	13-12-7 93-94 11-10-4 61-63-55-64-65-64-65-4 83-83-11-10-12-74-73-74-74-74-74-74-74-74-74-74-74-74-74-74-	134-124 114-11 634-634 97-84 97-84 114-11 77-7-2 44-44 84-94	1312: 9591. 113113. 6564. 5564. 6564. 121113. 8417. 4242. 8587. 9383.	121-121 91-91 11-11-1 01-01-01 01-01-01 01-01-01 01-01-01 01-01-01 93-92 12-12-1 84-74 41-41 10-94	124-10- 10-10- 12-11- 7-63- 63-69- 12-8-7-7- 81-8-10- 10-

Feb.16	£	5	DM	Yes	F Fr.	S Fr.	ИP.	Lira	CZ	8 Fr
Š	1 0.565	1.771	3.263 1.842	223.8 126.4	11.095 6.265	2.773 1.566	3.683 2.080	2385 1347	2.098 1.185	68.50 33.77
DM	0.306	0.543	14.58	68.5 <del>9</del>	3.400	0.850	1 129	730.9	0.643	21.0
YEN	4.468	7.913		1000.	49.58	12.39	16.46	10657	9.374	306.
F Fr.	0.901	1.5%	2.941	201.7	10	2.499	3.320	2150	1.891	61.78
S Fr.	0.361	0.639	1.177	60.71	4.001		1.328	860.1	0.757	24.78
N FI.	0.272	0.481	0.886	60 77	3.012	0.753	1	647.6	0.570	18.65
Lira	0.419	0.743	1.368	93.84	4.652	1.163	1.544	1000.	0.880	28.74
C S 8 Fr.	0.477	0.844	1.555 4.760	106 7 326.5	5.288 16.19	1.322	1.755	1137 3479	3.061	32.67 100.

**NEW YORK** 

Feb.16

Feb.16

Interbank Offer
Interbank Bid
Sterling CDs.
Local Authority Deps.
Local Authority Bonds.
Escount Mikt Deps.
Company Deposits
Treasury Billis Buy)
Bank Bills Buy)
Bank Bills Buy)
Bollar CDs
SOR Linked Dep Offer
SOR Linked Dep Bid
ECU Linked Dep Bid
ECU Linked Dep Offer

(Lunchtime)

#### **FINANCIAL FUTURES**

### **Bundesbank boosts prices**

ACTIVITY HAS turned away from March short sterling futures on Liffe, as traders have become resigned to a period of unchanged bank base rate beyond delivery of the contract on March 19. Turn-over in June short sterling was over 21/4 times that in March

The June contract opened weaker, but rallied on news that the Bundesbank had left

JEFFE LOS	46 ELT P	mures o	PTERMS	
Strike	Calls-set	tlements	Pets-set	tiemen
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stimated	volume tot	ai, Calis 2	380 Pats E	<u>#6</u>

LIFFE £/5 &PTIONS £25,000 (cents per £1)

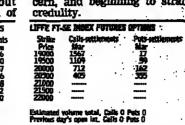
key West German interest rates unchanged at yesterday's council meeting. It finished at 87.70, against 87.65 previously. German Government bond futures also picked up on this news, to close just below the day's peak, at 94.30 for March delivery, compared with 94.09 on Wednesday.

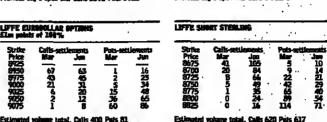
Traders in short sterling remained concerned about inflation in the UK, ahead of

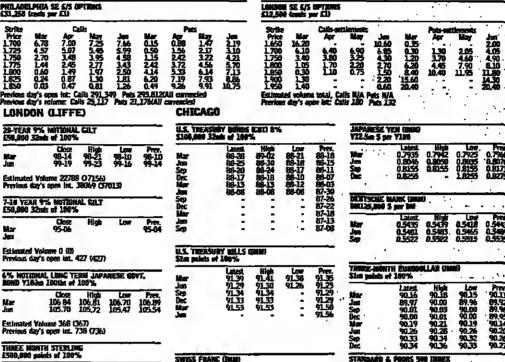
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4	70 12 14	410	120 44 22	验	

January. This is expected to show a sharp rise. The announcement of an unchanged increase of 8.75 per cent in the underlying level of announcement UK average earnings was well received, but dealers suggested that the gap between the underlying rate and the actual pay settlements figure of 10.9 per cent was causing some con-cern, and beginning to strain

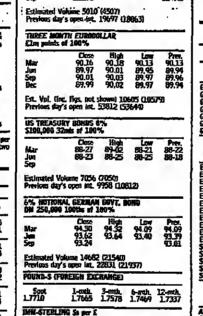
today's retail prices index for







Estimated Volume 368 (367) Previous day's open int. 738 (736) THREE MONTH STEPLING SWISS FRANC (INUI) SFr 125,000 S per SFr FT-SE 100 INDEX E25 per full index point High Low Pres. 206,96 204,40 207,30 210,80 209,00 211,50 214,45 EUROPEAN OPTIONS EXCHANGE



FT LONDON INTERBANK FIXING

**MONEY RATES** 

6.20-6.40 9-94

8<sub>1</sub>. 84

LONDON MONEY RATES

124

12%

Treasury Bills (sell); one-month 12.3 per cent; three months 12½ per cent; Bank Bills (sell); one-month 123) per cent; three months 12½ per cent; Treasury Bills; Average tender rate of discount 12.3137 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1989. Acres of a sell of the period February 26, 1989 to March 25, 1989, Scheme I: 13,93 p.c., Schemes II & III: 14 41 p.c. Reference rate for period Oceaniber 31 to January 31, 1989, Scheme IV&V: 13.171 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Sase Rate 13½ from February 1, 1989: Bank Deposit 8.18 february 1, 1989. Sank Deposit 8.18 february 1, 1989. Sank Deposit 6.100,000 and overheld under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

6.45-6.65

121

6.55-6.75 94-95

82-81

One Year

10.025 814 83

5.75-5 95 83-9

595-0.05 811-811 44-54 631-643 313-337 111-121 780 7-74

124

13

#### 5.80 2.90 2.70 5.50 149 26 106 191792511145122213322219112214251135134424162391849 4.30 2.100 4.90 3.66 2.00 2.1120 2. 10.20 21 575 98 3.50 3.80 2.30 72 109 5 293 333 112 583 317 126 57 226 64 515 6.80 2.90 3.70 4.60 427 80 19 324750 1270 TOTAL VOLUME IN CONTRACTS: 40334

7.20 7.20 2.80 0.40 0.10

0.10 0.30 0.50 3.20 7.70 12.80 0.20

8.30 3.30 1.50 4 6.10

14.50 10.50 6.90 4 2.30 1.50

2.70 4.10 6.60

1.70

17.50 A 10.50 5 9.20 13.50

4.50 6.50 A 9.50 A

C=Call

A-Ask B-Bid

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	%		%		%
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AAB - Aliled Arab Bk	13	Co-operative Bank	. •13	Norwick Gen: Trust PRIVAThanken Limited	13
Allied Irish Bank	13	Counts & Co	. 13	PRIVAThanken Limited.	13
Henry Asstacher	13	Courtis & Co	. 13	Provincial Bank PLC	и
ANZ Banking Group	13	Dentsar Bank PLC	. 13	R. Raphael & Sons	13
Associates Cap Corp	12	Doncas Lawrie	. 13	Rozburobe G'rautee	13b
Authority Bank	13	Equatorial Bank pic	. 13	Royal Bit of Scotland	13
B & C Merchant Bank _	13	Exister Trust Ltd		Royal Trest Bank	13 <sup></sup>
Bank of Baroda	13	Frazocial & Gen. Bank		O South & Willers Sess	
Banco Bilbao Vizcaya _	ĭ	First Hadional Bank Pic		Standard Chartered	73
Bank Hapoalins	ñ	Robert Fleming & Co		TSB	12
Bank Credit & Comes	ĕ	Robert Fraser & Pters.		United Bk of Kunsalt	17
Bank of Cypros	12	Girchark		United Mizzahi Bank	72
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Banque Belge Ltd	13	Heritable & Ges low Book		Wallesway Laidlaw	י לינו
Barciays Bask	13	● Fill Samuel		Yorkshire Bank	В.
Benchmark Bank PLC		C. Houre & Co	. 13		
Berliner Bank AG	13	Rosekooy & Storet	. 13	August Salas a	
Brit Bk of Mid East	13	♥ Leonold Joseph & Sons .	. 13	<ul> <li>Members of British No.</li> </ul>	
Brown Shipley	13	Lioyds Bank	. 13	Banking & Securities I	
Basines Mitor Tel	136	Meghra   Bank Ltd	. 13	Association: * Deposit now !	5.22%·
CL Bank Nederland	13°	McDoorell Douglas Bak	13	Savewise - B.47%.	Top
Central Capital	13	Midland Bank	. 13	Tier-£10.000+ lestant	access:
Charterhouse Back	13	Mortgage Express Ltd.	413.95	11.72% & Mortgage base	
Citional HA	==	11 - 1 O-L-C	112	Demond denset COV 86.	

**ACROSS** 

I The agent admits the gen-eral is lethargic (6) 4 Girl given a hand out on the 10 Look in public transport for what women wear (7)

11 Ought Chinese capital to be right at this time of year?

12 I'm half a day with a Moslem leader (4) 13 Shares exist in false teeth 15 Hang around and see it return again (6) 16 Party hill goes out - it's

about time (7)

20 Encountered Rose going
about with eccentric travellers (7)

21 Encountered Rose going
about with eccentric travellers (7)

22 Actu name to the a counter of hundred in knots (6)

23 Pound postage (5)

25 Outstanding feature about the King of Norway? (5) 21 Strain - a trifle unex-

pected? (6)

24 Cost in cafe ontrageous – get take-away (10)

26 Church and nest builder (4)

28 Ends an interim arrangement (7)

29 Master takes *lemale*, fifty, in

marriage (7)
.30 A number with a preference

for a charwoman's job (8) 31 Find company in one churchman or another (6) 1 It is included in ingenious aid for the deaf (8) soft-headed dunce (4) Private escort that is organised (8) Direct opposite of a schol-

arly exercise? (10) Exclude use of foreign lawyers (5)
8 Sarah's turn to worry (6)
9 Result of test matches or match tests (5)

match tests (5)

14 it's one live form of broadcasting (10)

17 Pole position? (9)

18 A bit vulgar, perhaps? (8)

19 Open nothing up for him (8)

22 Acid liable to the a couple of
hundred in knocks (6)

25 Outstanding feature about the King of Norway? (5) 27 Prompt action? (4)

Solution to Puzzle No.6,862

**JOTTER PAD** 

BACK STATE

#### COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS

FUKUYAMA TRANSPORTING CO., LTD. 31/2 per cent Guaranteed Bonds due 1991

> and 51/2 per cent Bouds due 1992

with Warrants ("1988 Warrant") Pursuant to Clause 3 and 4 of the Instruments dated 25th September, 1986, and 6th October, 1988 respectively the following notice shall be given.

At the meeting of the Board of Directors of FUKUYAMA
TRANSPORTING CO., LTD. (the "Company") held on 10th
February, 1989, a resolution was adopted for the issue of new shares by
way of free distribution, particulars of which are given below.
Consequently the subscription prices of the captioned Warrants shall
be adjusted, as specifically provided in paragraph 3 below.

1. The free distribution of new shares will be made to shareholders of
record as of 31st March, 1989, Tokyo time, at a ratio of 0.1 for each
one share held.

 The free distribution shall be made on 19th May, 1989, but the dividends for these new shares will accrue as from 1st April, 1989. Tokyo time.

Pursuant to Condition 7 of the Warrants of both issues, the subscription prices will be adjusted (1) from Yen 1,476 to Yen 1,341.80 for 1986 Warrant and (2) from Yen 1,394 to Yen 1,267.30 for 1988 Warrant, respectively, per share of the Company's common stock. The new subscription prices will become effective on 1st April, 1989, which is immediately after the record

Dated: 17th February, 1989

THE MITSUBISHI BANK, LIMITED
as the Principal Paying Agent
on behalf of FUKUYAMA TRANSPORTING CO., LTD.

#### GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of e Dividend of \$1.50. (gross) per share of the Common Stock of the Corporation, payable on the 10th March, 1989 there will become due in respect of Bearer Depositary Receipts a gross distribution of 7.5 cents per unit. The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th March 1989.

the 15th March 1989.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK hanks and Members of The StockExchange must lodge their Bearer Depositary Receipts for marking. Postal cleims cannot be accepted. The Corporation's Annual Report for 1988 will be available upon application to the Depositary named below.

> Barclays Bank PLC Stock Exchange Services Department 54 Lombard Street London EC3P 3AH

BRITISH CKYCEN PRIAMOR BLV.

Hologra or the move some, any advised max.

Annual Report, and Accounts: for the year ended 30 September 1988 for British Oxygen Finance S.V. and The BOC Group pic (the Guaranter) are available from The BOC Group in Chamber and Chamber Road, Windighton, Sunsai, the Chamber Road, the

ART GALLERIES

LEGAL NOTICE

CHILTERN BISULATIONS LOSTED

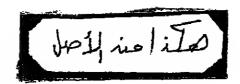
Registered number: 1274200 Tracing name: CHILTERN WINDOWS Nature of business: Manufacture installers of Double and Secondary ( Trada classifications installers of Double and Secondary Glazing
Trade classification: 24
Date of appointment of joint administrative
receivers: 7 February 1999.
Name of person appointing the joint administrative
receivers: Lloyds Benk PLC.
JOHN FREDERICK POWELL and CHRISTOPAER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 249 and 141) of Cork Guilg48 Temple Row, Birminsham B2.517

Joseph in 120

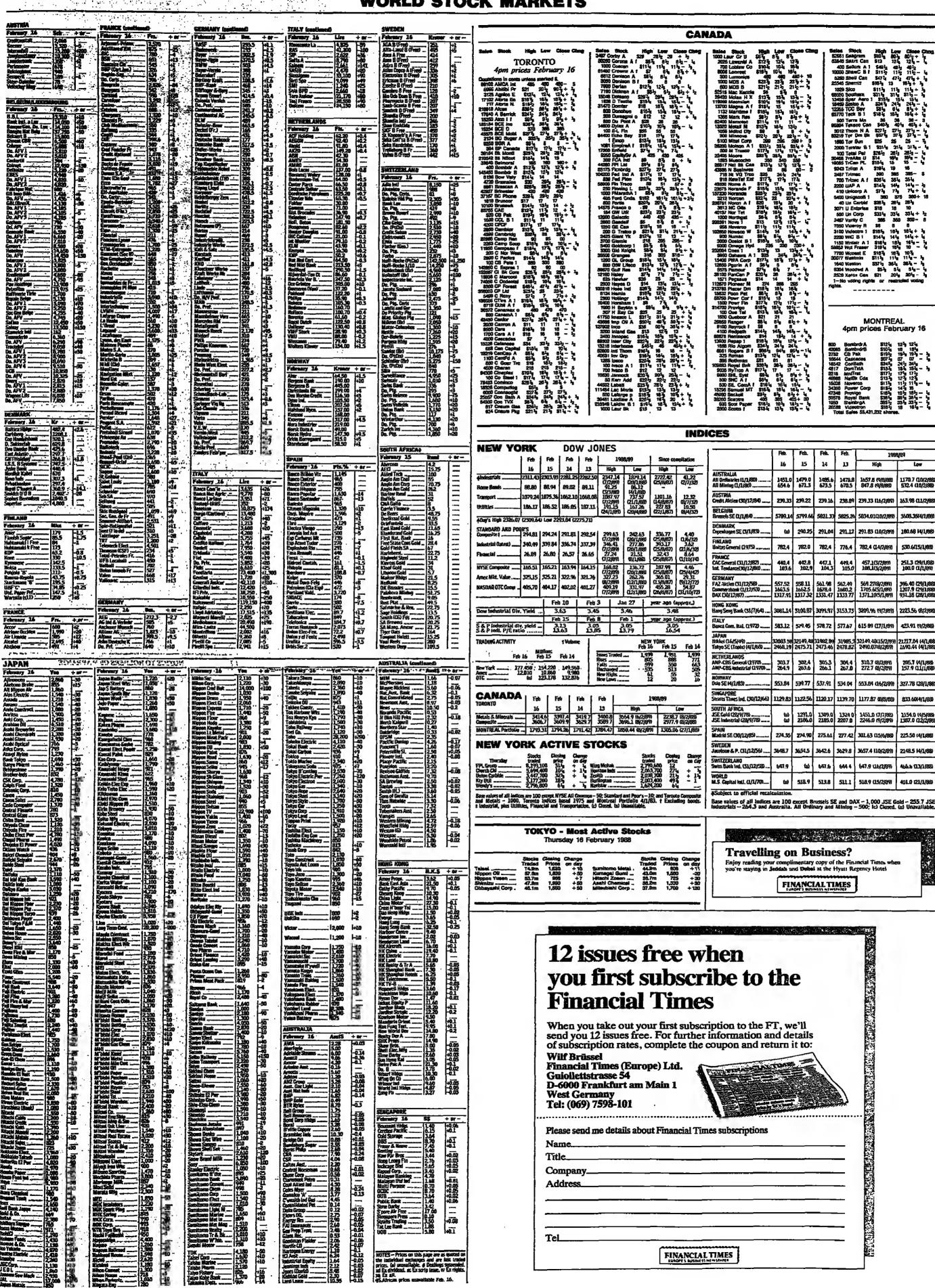
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#### **WORLD STOCK MARKETS**



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FINANCIAL TIMES

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1.32 24 7 61 10 14421 .30 12 34481 .35 4881 .35 484 .35 430 .36 .3 25 440 .36 .3 25 440 .37 21 14 4181 .37 21 14 4181 .38 42 110 294 .39 63 92 110 .39 489 .41 1302

| Company | Comp | Fig. | Levy Stock Dir. Y

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77 Good 1.94
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FINANCIAL TIMES

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# Absence of overseas rate increases helps Dow rise

HELPED by the lack of interest rate rises overseas, another modest rally in the bond market and its own recent recovery from the doldrums, the stock market managed modest gains again yesterday, writes Jamet Bush in New York. The Dow Jones industrial

Average ended off its highs, quoted 7.50 points up at

The market's strength on Wednesday was based mostly on its oversold condition after falling in nine out of the previous 10 sessions. The most con-vincing rally was in large capitalisation stocks concentrated in the Dow Jones hlue chip

Some encouragement was derived from the Dow's ability on Wednesday to close above 2,300 - a level that has proved to be something of an impediment of late, as it had been earlier this year. Nr Newton Zinder, technical

strategist at Shearson Lehman Hutton, noted that there were some question marks left after the rally. The Dow was up hy more than twice as much as the Value Lina Composite Index, showing that the advance was confined to large capitalised issues. Also, indicators of hreadth have not been particularly encouraging and most indices stalled below their peaks early on Tuesday until the final hour.

Nevertheless, he commented: "Even so, a 22-point DJIA advance, with prices finishing near their highs of the day in a market that is supposedly in a

AN INITIAL burst of energy

that sent the Nikkei average

soaring to a new high gave way to later profit-taking and share prices ended lower, writes Michiyo Nakamoto in

Tokyo.

Wednesday's show of strength and an encouraging

overnight performance on Wall

Street prompted active buying

in early trading, lifting the Nikkel average a hefty 197.78 to 32,347.26 at the morning

However, nervousness about

the quick rise in prices and the

consequently increasing likeli-

hood of restrictions on margin transactions - under which

brokers lend credit to individ-

ual investors - led to profit-taking. The Nikkei tumbled to

finish down 65.90 at 32,083.58,

having been as low as 31,996.50. Declining issues led those

that advanced by 586 to 340.

Turnover rose to 1.91hn shares

from the 1.71hn traded on

shares declined 7.52 to 2,468.19 hut, in London, the ISE/Nikkei

50 index gained 5.52 to 1,976.91

Investors in Tokyo took profits in issues that had made

substantial gains recently, hut

huving interest remained

strong. Profits were quickly

put into other sectors, analysts

Demand shifted to a wide variety of issnes, many of

which were not underninned

hy any specific stories or news.

Most investment trusts have

NATIONAL AND

The Topix index of all listed

**ASIA PACIFIC** 

Tokyo

close.



February 1989

consolidation phase, is still a good showing There were encouraging influences as well as reasons to be cautious yesterday. On the positive side was a modest rebound in the dollar after the West German Bundesbank confounded expectations by deciding not to raise either the discount or Lomhard rates. Although European analysts believe Germany will move its rates soon, this helped the dollar temporarily and lifted

Both equities and honds came off their highs as the dol-lar slid back towards its lows in afternoon trading.

A potentially negative factor was a huge 8 per cent jump in January housing starts compared with expectations of an advance of 3.7 per cent. How-ever, the figures did not have much impact because mild weather last month has boosted economic activity all

A clear reason to be cantious

the current business year end-

ing March, but there were still a few institutional investors

who had missed the construc-

tion stock rally and who were

looking to make quick profits where they could, said Mr Mas-ami Okuma of UBS Phillips

A lot of money was said to have moved from construction

issues to trading companies,

producing strong rises in com-panies such as Mitsuhishi Corp, which increased Y120 to

Y1,700. Mitsui and Co advanced

Trading companies were

hought as recent underper-

formers and many of them are involved in the development of

resort areas as well as of prop-

erty based along Tokyo's

Profit-taking hit construc-

tion issues, with Kumagai Gumi losing Y20 to Y1,560. Some properties managed to

maintain strength, however,

and Taisei - the most heavily

traded issue at 74.9m shares -

Paper stocks were selected

on expectations of higher earn-

ings estimates for the current

business year as well as for

their recent underperformance. Oji Paper gained Y70 to Y1,850 and Jujo Paper advanced Y50

Nippon Oil, the second busiest stock in volume terms with 57.6m shares traded, gained

Y50 to Y1,830. It is in the pro-

cess of restructuring.

Profit-taking in later trading

led ahare prices lower in

gained Y10 to Y1,630.

to Y1.260.

added Y90 to Y1.500.

## trade figures. The consensus of forecasts suggests a narrowing in the deficit in December to

November on a cost, insurance, freight basis.

Among featured stocks was
Merck, which added \$% tn \$64% after a paper was published by scientists at the company saying they had identi-fied a promising strategy to defuse the virus that causes

about \$11.5bn from \$12.51bn in

Envirodyne Industries jumped \$4% to \$37% in heavy trading on the over-the-counter market after news of a \$38-ashare takeover proposal from Mr Donald Kelly, the investor, and Salomon Brothers. Artra Group, which already owns a 26.3 per cent stake and wants to participats in the offer, gained \$4½ to \$34½ on the New York Stock Exchange.

Tambrands added \$2% to \$55% on continuing takeover

Among companies announcing results, Norsk Hydro'a shares traded on the NYSE rose \$1% to \$22% after reporting a 64 per cent increase in its 1988 earnings from a year ago.

#### Canada

Roundup

INVESTORS stayed on the sidelines before the US trade report due today and Toronto to close slightly lower in quiet

The composite index, which had gained about 5 points in earlier trading, slid 3.2 to

3,696.7 on light volume of 22.4m

DOMESTIC concerns left Aus-

tralia and Hong Kong in the red, while Singapore celebrated the strength in New York and

AUSTRALIA was knocked

for six by much worse-than-ex-

pected balance of payments fig-

ures for January and share

for two months.

The All Ordinaries index

dropped 28.0 to 1,451.0 on news

of the A\$1.54bn current account deficit, as the Austra-lian dollar lost 3 US cents over-

There was support at the

lower levels for certain stocks hnt most still ended lower.

HONG KONG dropped on worries about the US dollar

and its effect on the local cur-

rency, with the Hang Seng index losing 19.73 to 3,081.14. It

had risen to 3,130 in early trad-

ing in reaction to gains on Wall Street and in Tokyo.

most active stock after its placement on Wednesday, los-

ing 40 cents to finish at the

HK\$7.60 placement price. SINGAPORE saw fairly

active trading in response to rises in New York, and gained

ground after some early profit-taking. The Straits Times industrial index rose 7.27 to 1,129.83, and turnover slipped

to 50m shares from 53m.

Dickson Concept was the

rices fell to their lowest level

Early advance vanishes as The session started more optimistically following Wall Street's strong overnight gains. But the Bundesbank's decision caution fuels profit-taking finished down 42.39 at 30,377.57. Volume at 162.9m shares was slightly down on Wednesday's.

> The FAZ index eased 0.59 to 1.317.91. Turnover remained

There were again few features, with the exception of Dresdner Bank, up DM8.50 at DM310.50 on the day's second most active trading, and insurer Allianz, which fell DM10 to DM1,8113. There were rumours that Allianz might be increasing its stake Dresdner - currently less than 25 per cent - to more than 50 per cent. Interest was also reported from Switzerland in options on Dresdner Bank, and

Swiss bank. Dresdner.

Motor group Daimler was up DM5 at DM663.50. The com-pany said it had held initial talks with British Aerospace on possible co-operation in air-craft making and defence activ-

to news that the French inter-vention rate would remain

# Italian monthly account limps into action

Investors, beset by political fears, are failing to act con brio, writes Alison Maitland

THE NEW Italian within the ruling coalition over monthly account began the deal and concern that a monthly account began cautiously yesterday, with share prices edging higher in subdued trading.

There was little of the brio that often marks the start of an account, when the prospect of settlement a comfortable six weeks away can send prices up sharply in high volume. But then investors in Italian

equities have a right to feel bruised and confused. The last account is one that many would probably like to forget. Expectations of a smooth political ride were dashed soon after the account hegan on January 18 and the Comit index closed the trading month on Wednesday with a 3.5 per cent fall. Italy has been lan-guishing at the bottom of the world league this year, while other European markets have at worst heen standing still and at best surging forward.

Disillusionment set in over the Government's tax concessions to the unions last month aimed at preventing a threat-ened general strike. Division proposed capital gains tax would be harsher than expected set off a round of selling.

market when released in late January, nor did the launch of trading in six Italian stocks on London's Seaq International system. Fiat ended the month 5.6 per cent lower and the other leaders, Generali and Montedison, were down 3.9 per cent and 5.7 per cent respec

To judge hy yesterday'a per-formance, the market is uncertain whather the March account will be any more cheerful. The first hurdle is the Christian Democrat congress, which starts tomorrow and which starts tomorrow and should determine whether Mr Ciriaco De Mita, the Prime Minister, retains the support of the different factions within the party, even if he loses the party leadership.

FT-A World Indices in £ terms Europe Rssults from Fiat — described by one analyst as "stunning" — proved nf no avail to the share price or the

> mark over whether proposals for tough spending restrictions on health, social security, pub-lic sector wages and the rail-ways will be put into effect to curb the huge budget deficit. Mr Roberto Morelli, Italian analyst at County NatWest
> WoodMac, sees a big shift in
> public perception of the Government. "They have gone
> from being relatively success-

<sup>15</sup>Dec'88 Jan'89

ernment, where political expe-diency has taken the lead over sound economic judgment." Moreover, the market is likely to be sensitive to the January balance of payments figures, which are due in the next few days, given the disappointment over December's L2,042hn (\$1.5bn) deficit. There's nothing concrete I can see that would make me feel more confident about this account than the one we've left behind," he says.

Brokers Robert Fieming are

also bearish, expecting the bourse's poor performance to continue. "It is not simply a problem of the political difficulties depressing market par-ticipants," says Flemings Research in its latest European digest. "Rather, the political situation has direct effects on fiscal policy which in turn affects public debt and interest rates and, as a result, the potential flow of funds on to the equity market."

Italy does, nevertheless, have its staunch defenders. Mr Enrico Ponzone of Kleinwort

Benson believes that strong economic growth, high institu-tinnal liquidity, full order books and good 1988 corporate news – which should filter out this month and next - are powerful arguments for a rally in a market that is looking nversold. "It's as if you were compressing a spring. When it turns round, the market is going to really jump back ap very, very sharply," he says.

Any positive announcement, such as an outbreak of unity in such as an outbreak of unity in the Christian Democrat party.

could set that rally off.

At Milan brokerage house.

Albertini, analyst Mr Fabio Ferrando onts himself squarely in the middle. He thinks the market has discounted a lot of the bad news already, but not a full-blown political crisis which he regards as remote.
On the positive side, company results should give the market a psychological boost.

"There are some problems to be solved," he concludes

they're solved or we see signs they might be solved, then I would huy."

# Bundesbank inaction receives mixed reviews

THE decision by the West German Bundesbank not to raise interest rates received a mixed response in European equity markets; Frankfurt fell but Paris was pleased and ended higher, writes Our Markets Staf

FRANKFURT was disappointed by the absence of action on interest rates at the Bundesbank council meeting, having been waiting in nervous anticipation of a rise all week. "We're now in no man's land for another two weeks until the next Bundesbank meeting, and at the moment two weeks is a long time in economic politics," said one

not to move on interest rates sent shares scurrying from the session highs and the dollar's subsequent rise against the D-Mark did little to reassure

557.52 at midsession and the DAX closed just 0.59 higher at modest at DM3.56bn.

The focus of attention today will be the US trade figures for December, which appear to have been preoccupying investors in Europe more than those in the US.

this may have been responsible for talk of stake-building by a

An Allianz spokeswoman said that a news conference on March 1 might reveal some information concerning rumours of a link-up with

PARIS responded positively

unchanged after the Bundes-bank decided against an inter-est rate rise. Corporate news came to the fore, bargain hunters appeared and share prices ended higher.

A nota of caution did remain, however, given the run-np to the release today of the US trade figures, and the approach of the end of the account on Monday. The CAC 40 index put on 11.90 to 1,627.22 and the OMF 50 index rose 3.37 to .458.75. Volumes were esti-mated at a low FFr2bn.

Skis Rossignol, the world's leading alpine ski manufac turer, saw the day's largest gain, rising FFr69, or 7 per cent, to FFr1,059. The stock had been on a downward slope of late – hit partly by the lack of snow in Europe – and was liable to large movements in low volumes, one salesman

Peugeot was a feature again closing up FFr21 at FFr1.592, helped by news that it had overtaken VW for second place in terms of European car sales

Cheese producers were hit

by worries about possible lost sales from the British contro-versy over soft cheeses. Bongrain fell FF180 to FF12,830 and Fromageries Bel dropped FFr25 to FFr1,700.

Feb

AMSTERDAM was prey to the same interest rate limbo as Frankfurt for most of the day, although Wall Street's early strength helped the market close higher, with the CBS ten-dency index up 0.9 at 163.2.

The main feature was Oce ...Van der Grinten, the office equipment maker, which climbed Fl 10 to Fl 302 on its slight rise in annual profits. ZURICH was underpinned by the overnight strength of Wall

**SOUTH AFRICA** 

GOLD shares maved up slightly in Johannesburg, but ended off their highs as the builion price dipped towards the close. A rise in the plati-num price boosted related tocks, with Bustenburg up R1.25 at R50.75.

Street, with the banking sector seeing renewed interest after results from Swiss Volksbank. The Crédit Suisse index lost 1.1 to 550.8 on afternoon profit-taking while the Swiss Market index gained 12.1 to 1,490.5.

Swiss Volksbank's betterthan-expected annual results, released on Wednesday, helped its registered shares up SFr20 to SFr1,770. Union Bank bearers rose SFr20 to SFr3.130.

Engineering stock Schindler saw its bearers lose SFr150 to SFr5,275 and Sulzer eased SFr1 to SFr459 with the Swiss Machinery . Manufacturers Association reporting an 8.1 per cent increase in the domes-tic industry's orders last year but saying growth would probably weaken this year.

MADRID was cautious again before the release of January inflation figures, due in the next couple of days, and the general index eased 0.55 tn

**HELSINKI** was underpinned by good corporate news, with the Unitas index climbing 0.4 to equal its all-time high of OSLO rese to a post-crash

high after Norsk Hydro posted record annual results. The all share index added 10.94 to 415.39 and trading in Norsk Hydro – up NKr9.50 at NKr147 - represented a quarter of the day's volume of NKr462m.

STOCKHOLM recovered from early losses as strong demand for Volvo shares helped take the market higher. The Affarsvärlden index added 1.3 to 1.072.3. Volvo free B shares rose

SKr15 to SKr442, while its restricted B shares rose SKr3 to SKr428. Short-covering was reported in London. BRUSSELS was moderately

encouraged late in the day by the Bundeshank's inaction over interest rates, and shares closed mixed. The cash market index eased 10.52 to 789.14.

Générale de Banque lost BFr40 to BFr6,530 before announcing a BFr13hn capital increase, including a one-for-six rights issue.



# **Ford Motor Credit Company**

Cdn \$150,000,000

111/8% Notes due February 7, 1992

Issue Price: 101.350%

#### ScotiaMcLeod inc.

Deutsche Bank Capital Markets Limited **Goldman Sachs International Limited** J.P. Morgan Securities Ltd. Merrill Lynch International & Co. Union Bank of Switzerland (Securities) Limited Woody Gundy Inc.

Algemene Bank Nederland N.V. Banque Bruxelles Lambert S.A. Generale Bank Banque internationale à Luxembourg S.A. Crédit Lyonnais

Westdeutsche Genossenschafts-Zentralbank aG **Bankers Trust International Limited** Banque Générale du Luxembourg S.A.

Commerzbank Aktiengesellschaft Hambros Bank Limited Swiss Bank Corporation

Kuwait International Investment Co. s.a.k. **Bank of Montreal Capital Markets Limited BNP Capital Markets Limited** Mitsubishi Finance International Limited

Banca del Gottardo Banque de Luxembourg S.A.

Banque Paribas Capital Markets Limited

CERA-Spaarbank Credit Suisse First Boston Limited Shearson Lehman Hutton International

Vereins und Westbank Aktiengesellschaft

Westdeutsche Landesbank Girozentrale

February 1989

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS		THURSD	AY FEBRUAR	Y 16 1989		WEDNES	DAY FEBRUA	RY 15 1989	į DO	ALLAR IND	EX
Figures in parentheses show number of stocks per grouping	US Dollar Index	Oay's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Oollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	137.78 96.51	-5.7 -0.4	115.34 80.79	108.68 92.41	4.94 2.66	146.09 96.89	122.12 81.00	92.28	157.12 100.00	91.16 83.72	98.00 86.58
Belgium (63)	135.60	-0.8	113.51	129.91	3.97	136.68	114.26	130.10	139.89	99.14	121.38
Canada (1.25)	134.83	-0.2	112.87	115.50	3.24	135.15	112.98	115.53	137.27	107.06	113.44
Denmark (39),	158.48	[ <u>-0.1</u>	132.67	154.76	1.91	158.60	132.58	154.72	161.60	111.42	115.81
Finland (26)	144.73	<u>-1.2</u>	121.16	129.94	1.35	146.43	122.41	130.57	147.07	106.78	116.97
France (130)	116.51	+0.7	97.53	114.50	2.84	115.71	96.73	113.90	119.98	72.77	84.35
West Germany (102)	85.67	+0.2	71.72	82.06	2.29	85.53	71.50	82.00	90.40	67.78	74.44
Hong Kong (44)	128.81	-0.4	107.83	129.00	3.71	129.32	108.11	129.52	133.77	84,90	88.72
Ireland (17)	139.23	+0.5	116.55	135.76	3.72	138.53	115.80	134.52	144.25	104.60	108.96
Italy (98)	80.62	+0.7	67.49	81.10	2.49	80.05	66.92	80.65	86.88	62,99	69.56
Japan (456)	197.89 157.19	-0.2	165.66 131.59	157.99 165.33	0.47	198.32 156.55	165.79 130.87	158.45 164.51	198.32 159.52	133.61 107.83	154.09 112.25
Malaysia (36)	162.25	+0.4 +0.4	135.83	411.56	2.59 1.24	161.61	135.10	411.69	182.24	90.07	151.15
Mexico (13)	113.65	+0.5	95.14	107.89	4.60	113.04	94.50	107.31	115.04	95.23	100.71
Netherland (39)	72.97	-1.7	61.09	63.03	6.14	74.20	62.03	63.58	84.05	63.32	68.23
New Zealand (24)		+3.5	137.84	149.68	1.87	159.13	133.03	144.39	164.65	98.55	104.94
Norway (26)	142.13	+0.9	118.98	125.95	2.12	140.81	117.72	124.75	143.62	97,99	102.51
Singapore (26)	124.51	-0.1	104.23	107.79	4.38	124.59	104.15	107.01	139.07	98.26	127.94
Social Africa (60)	145.30	-0.8	121.64	126.53	3.75	146.51	122.48	126.92	164.47	130.73	134.93
Spain (42)	150.97		126.38	140.97	2.20	150.49	125.80	140.07	151.85	96,92	109.25
Sweden (35)	77.50	+0.3 +0.3	64.88	75.20	2.26	77.25	64.58	74.91	86.75	74.13	80.34
United Kingdom (314)	150.52	-0.7	126.01	126.01	4.32	151.59	126.72	126.72	152.54	120.66	125.45
USA (568)	120.09	+0.2	100.53	120.09	3.60	119.79	100.14	119.79	121.90	99,19	105.21
USA (500/	120.07	TU.2	100.55	120.07	5.00	117.77	200.24	117.77	161.90	77.17	105.21
Europe (1006)	119.59	-0.2	100.12	107.91	3.54	119.81	100.16	108.01	120.76	97.01	100.80
Nordic (126)	146.84	+0.3	122.93	134.03	1.97	146.38	122.37	133.24	146.85	98.11	106.70
Pacific Basin (675)	192.56	-0.4	161.20	154.54	0.68	193.28	161.58	155.07	193.28	130.81	149.35
Euro-Pacific (1681)	163.36	-0.3	136.75	136.01	1.53	163.87	136.99	136.38	163.87	120.36	129.95
North America (693)	120.88	+0.2	101.19	119.83	3.58	120.61	100.83	119.55	122.73	99.78	105.64
Europe Ex. UK (692)	100.53	+0.3	84.16	96.69	2.87	100.26	83.82	96.40	102.91	80.27	85.47
Pacific Ex. Japan (219)	128.75	-3.2	107.79	110.93	4.35	133.01	111.20	112.36	137.68	87,51	92,33
World Ex. US (1879)	161.98	-0.3	135.60	135.18	1.60	162.49	135.83	135.53	162.49	120.26	129,38
World Ex. UK (2133)	145.41	-0.1	121.73	130.48	1.98	145.54	121.67	130.56	145.54	111.77	119.49
World Ex. So. Af. (2387)	145.99	-0.1	122.21	130.20	2,19	146.20	122.22	130.34	146.20	113.26	119.96
World Ex. Japan (1991)	120.81	-0.1	101.14	115.39	3.60	120.92	101.09	115.34	122.34	100.00	103.68
The World Index (2447)	145.85	-0.1	122.10	130.05	2.20	146.07	122.11	130.18	146.07	113,37	120.01

Sase values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US \$ index), 114.42 (Pound Sterling) and 123.18 (Local).
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